



**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

JUNE 30, 2012

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
OFFICIAL ROSTER
Year Ended June 30, 2012**

Department Officials

	<u>June 30, 2012</u>	<u>Dec. 17, 2012</u>
Cabinet Secretary	Catherine Torres, M.D.	Brad McGrath (Interim)
Dep. Secretary – Prog. (CFO)	James W. Green	James W. Green
Dep. Secretary – Facilities	Brad McGrath	Brad McGrath
General Counsel	Gabrielle Sanchez-Sandoval (Acting)	Same
Chief Information Officer	Larry White (Acting)	Terry Reusser
Chief Medical Officer	Richard Adams, M.D.	Richard Adams, M.D.
State Epidemiologist	Michael Landen, M.D.	Michael Landen, M.D.

Division Directors

Administrative Services	Richard E. Crespin
Public Health	Michael Landen, M.D. (Acting)
Epidemiology & Response	Michael Landen, M.D. (Acting)
Scientific Laboratory	David Mills, Ph.D.
Developmentally Disabilities Support	Cathy Stevenson
Health Certification, Licensing & Oversight	Judith Parks (Acting)

Report of Independent Auditors

Brad McGrath, Interim Cabinet Secretary
and
Mr. Hector H. Balderas,
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund and the fiduciary fund of the State of New Mexico Department of Health (the Department), as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's nonmajor governmental and fiduciary funds and the program budgetary comparisons for the nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2012, and the changes in its financial position budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Brad McGrath, Interim Cabinet Secretary
and
Mr. Hector H. Balderas,
New Mexico State Auditor

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the fiduciary fund, and the aggregate remaining fund information of the Department as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of the Department as of June 30, 2012, and the respective changes and all nonmajor funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brad McGrath, Interim Cabinet Secretary
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Not-for-Profit Organizations (Circular A-133)*, and is not a required part of the financial statements. The additional schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplementary information are fairly stated in all material respects in relation to the financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
January 10, 2013

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2012**

Introduction

The following Management's Discussion and Analysis (MD&A) for the State of New Mexico's Department of Health (the Department) introduces the basic financial statements and provides an analytical overview of the Department's financial condition and results of operations as of and for the 12-month fiscal year ended June 30, 2012 (FY12). Additionally, the MD&A provides a discussion of significant changes in account category balances presented in the entity-wide Statement of Net Assets and Statement of Activities. This summary should not be taken as a replacement for the basic financial statements.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion & Analysis for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34; and GASB Statement No. 38, Certain Financial Statement Note Disclosures.

Overview of the Basic Financial Statements

Although the Department is one of numerous departments and agencies comprising the government of the State of New Mexico, the focus of this financial report is only on the Department and not the State of New Mexico taken as a whole. The financial statements include the following three elements: (1) Management's Discussion and Analysis, (2) the Basic Financial Statements, and (3) Other Supplementary Information. The basic financial statements include two kinds of statements that present different views of the Department:

- The government-wide financial statements are entity-wide financial statements that report information about the Department's overall financial condition and results of operations, both long-term and short-term, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Department's assets, liabilities, and net assets. All revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or disbursed because the State of New Mexico operates under the modified accrual basis of accounting.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2012**

- The fund financial statements consist of:
 - The governmental fund statements, including the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balances, which focus on individual parts of the Department, reporting the Department's financial condition and results of operations in more detail than in the entity-wide statements, and tell how general government services were financed in the short term as well as what remains for future spending. Emphasis is on the general and major funds. Other governmental funds are summarized in a single column.
 - The Statement of Revenue and Expenditures - Budget and Actual Modified Accrual (GAAP Budgetary Basis) reports the original approved budget, final approved budget, and actual results presented on the modified accrual budgetary basis of reporting for the Department's general fund and all major funds. A separate column is presented to report any variances between the final budget and actual amounts.
 - The Statement of Fiduciary Net Assets provides information about the financial relationships in which the Department acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Additional details about the basic financial statements are found in the Notes to the Financial Statements, Required Supplementary Information, and the Other Supplementary Information sections.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2012**

Financial Analysis of the Department as a Whole

The following condensed financial information was derived from the entity-wide financial statements and compares the current year to the prior year:

**Table 1
The Department's Net Assets**

	<u>Governmental Activities</u>		Increase (Decrease)	Percent Change
	2012	2011		
Assets				
Cash, restricted and non-restricted	\$ 58,000,149	39,084,194	18,915,955	48.4%
Other current assets	34,372,194	38,749,154	(4,376,960)	-11.3%
Non-current assets	68,619,427	72,822,625	(4,203,198)	-5.8%
Total assets	\$160,991,770	150,655,973	10,335,797	6.9%
Liabilities				
Current liabilities	\$ 94,942,530	88,844,875	6,097,655	6.86%
Long-term liabilities	57,429,374	58,940,000	(1,510,626)	-2.6%
Total liabilities	152,371,904	147,784,875	4,587,029	3.10%
Net Assets				
Invested in capital assets	10,774,427	12,882,625	(2,108,198)	-16.4%
Unrestricted (deficit)	(2,154,561)	(11,906,603)	9,762,042	81.9%
Total net assets	8,619,866	2,931,098	5,688,768	194.1%
Total net assets and Liabilities	\$160,991,770	150,655,973	10,335,797	6.9%

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2012 are as follows:

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2012**

Assets

Total assets increased by approximately \$10.3 million, or 6.9 percent. This increase resulted from several factors:

- An increase in Current Assets of approximately \$14.5 million, due primarily to:
 - An increased balance in Investments in the State General Fund Investment Pool of approximately \$18.9 million due to reduced expenditures in FY12 over FY11;
 - A decrease of \$1.9 million in the amount Due from the Federal Government, which resulted from more timely drawdowns of federal cash during the year and at year end;
 - A decrease of approximately \$2.3 million in amounts Due from Other State Agencies, due to more timely payment by the Human Services Department under the Department's Medicaid programs, and
 - A minimal decrease of approximately \$687,695 in Net Accounts Receivable, resulting from increased collection activities and more timely collections.
- A decrease in Non-Current Assets of approximately \$4.2 million, primarily due to an increase in accumulated depreciation related to the Department's capital lease.

Liabilities

Total liabilities increased by approximately \$4.6 million, or 3.1 percent:

- Current Liabilities increased by \$6.1 million. This net increase resulted from:
 - An increase in accounts payable in the amount of approximately \$7.5 million due to higher year-end accounts payable in various programs and divisions;
 - Elimination of interest payable, which totaled approximately \$6.8 million at the end of FY11, based on the debt incurred for the new Fort Bayard Medical Center, due to payment of the lease payment during FY12;
 - An increase in Due to Other State Agencies in the amount of approximately \$2.75 million, as the Department experienced higher than normal amounts outstanding, primarily in the Developmental Disabilities Waiver Program; and

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2012**

- An increase of approximately \$3.4 million in the amount Due to the State General Fund due to an increase in the reversion amount over FY11.
- Long-Term Liabilities decreased by approximately \$1.5 million, due primarily to a reduction in the Department's capital lease payable outstanding amount.
- Total Net Assets increased by approximately \$5.7 million, due to the factors discussed above.

Changes in Net Assets

The table below summarizes the change in the Department's net assets between the fiscal years ending June 30, 2012 and 2011.

**Table 2
Changes in the Department's Net Assets**

	<u>Governmental Activities</u>		Increase	Percent
	2012	2011	(Decrease)	Change
Revenue				
Program revenue				
Charges for services	\$106,931,811	99,877,746	7,054,065	6.6%
Operating grants and contributions	<u>145,101,860</u>	<u>147,063,421</u>	<u>(1,961,561)</u>	<u>-1.3%</u>
Total program revenue	<u>252,033,671</u>	<u>246,941,167</u>	<u>5,092,504</u>	<u>2.0%</u>
General Revenue				
Transfers, net	(86,290,506)	(66,225,912)	(20,064,594)	30.3%
Bond proceeds/appropriations	298,578,171	275,388,910	23,189,261	8.4%
Investment income	2,714,581	1,429,807	1,284,774	89.9%
Loss on Capital Asset Disposal	(68,435)	-	(68,435)	100%
Reversions	<u>(20,889,957)</u>	<u>(17,165,311)</u>	<u>(3,724,646)</u>	<u>17.8%</u>
Total general revenue	<u>194,043,854</u>	<u>193,427,494</u>	<u>616,360</u>	<u>3.0%</u>
Total revenue	<u>446,077,525</u>	<u>440,368,661</u>	<u>5,708,864</u>	<u>1.3%</u>
Expenses				
Total governmental	440,388,757	456,292,049	(15,903,292)	-3.6%
Changes in net assets	5,688,768	(15,923,388)	(10,234,620)	-180.3%
Beginning net assets	<u>2,931,098</u>	<u>18,854,486</u>	<u>(15,923,388)</u>	<u>-84.5%</u>
Ending net assets	<u>\$ 8,619,866</u>	<u>2,931,098</u>	<u>5,688,768</u>	<u>66.0%</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2012**

As indicated in the Table, the Department's ending net assets increased approximately \$5.7 million over 2011. The Department experienced an increase in total revenue of approximately \$5.7 million, or 1.3 percent. Program revenue increased overall by \$5.1 million, or 2.1 percent compared to 2011, due primarily to aggressive efforts to collect prior year accounts receivable patient revenue for current and prior periods, mostly by the Department's health care facilities. Operating grants decreased primarily due to reduced funding under the American Recovery and Reinvestment Act.

General revenue was essentially flat, recording an increase of \$616,360, or 0.3 percent. However, net transfers decreased by approximately \$20.1 million, due primarily to an increase in transfers out, and was offset by a \$23.2 million, or 8.4 percent, increase in General Fund and other appropriations to the Department. The General Fund appropriation increase resulted from a substantial increase in the federal match requirement under the Developmentally Disabled Medicaid Waiver Program as a result of the expiration of the enhanced FMAP under the American Recovery and Reinvestment Act, which led to a decrease in the federal medical assistance percentage (FMAP). Land investment income revenue for constitutionally chartered Department medical facilities also increased.

Total expenses decreased by \$15.9 million, or 3.5 percent, due primarily to a reduction in interest payable on the Department's capital lease and a reduction in spending for other health initiatives and operations in the Public Health Division, the Epidemiology and Response Division, and DOH Facilities.

The surplus of revenue over expenditures in FY12 resulted in a net increase in net assets of \$5.7 million. Combined with beginning net assets of \$2.9 million, the Department ended the fiscal year with net assets totaling \$8.6 million.

FY12 Operating Budget

The Department's initial operating budget for Fiscal Year 2012 totaled \$533.2 million, including \$289.6 million in General Fund, in accordance with Laws 2011, Chapter 179, the General Appropriation Act.

Budget adjustment increases totaling approximately \$6.7 million during the fiscal year from various funding sources, as well as various category transfers, were processed during the fiscal year which resulted in a final operating budget amount for the Department of \$539.9 million.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2012**

Significant adjustments to the FY12 appropriated operating budget included:

- An increase of \$500,000 in General Fund from a Special Appropriation related to the Family Infant Toddler Program to serve children over the age of three who have or are at risk of developmental disabilities;
- An increase of \$858,341 in Federal Funds to budget revenue and expenditures related to six newly awarded supplemental and increased federal grants in the Scientific Laboratory Division;
- An increase of \$630,845 in Federal Funds to support initiatives of the Healthy Homes, Lead Poisoning, and Unregulated Drinking Water programs in the Epidemiology and Response Division;
- An increase of \$1,096,759 in Federal Funds in the Public Health Division to support initiatives under the Community Transformation Grant Program to support community-level efforts to reduce chronic diseases such as heart disease, cancer, stroke, and diabetes;
- An increase of \$505,856 in Federal Funds in the Public Health Division to budget grant funding to support integration between the Statewide Tobacco and Diabetes Project;
- An increase of \$559,000 in Federal Funds to budget two newly awarded grants: the National Background Check Program grant and the Centers for Medicare and Medicaid Services Survey and Certification grant for the Division of Health Improvement;
- An increase of \$880,245 in Federal Funds for the Family Infant Toddler program of the Developmental Disabilities Support Division to serve children with or at risk of developmental disabilities.
- A transfer of \$865,000 from the personal services and employee benefits category to the contractual services category to enable the Facilities Management Program to execute contracts needed for patient care, including medical service contracts for physicians, nurses, psychologists, psychiatrists, and other medical care staff;
- A transfer of \$578,700 of other state funds from the other category to the contractual services category for the Public Health Division's Children's Medical Services to support an electronic case management system, the Pregnancy Risk Assessment and Monitoring Program, and the Newborn Genetic Screening Program;
- A transfer of \$1,490,800 in Federal Funds from the other category to the contractual services category to support the re-prioritization of program activities for the Hospital Preparedness Program in the Epidemiology and Response Division;

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2012**

- A transfer of \$500,000 in General Fund from a special appropriation from the other category to contractual services category to provide the Family, Infant, and Toddler Program of the Development Disabilities Support Division the required General Fund to match Medicaid funding for early intervention services for children over age three who have or are at risk of developmental disabilities;
- A category transfer of \$600,000 (\$300,000 in General Fund and \$300,000 in inter-agency transfers) from the personal services and employee benefits category to the contractual services of the Division of Health Improvement for receivership;
- An across-program transfer of \$500,000 in General Fund from the personal services and employee benefits category in the Public Health Division into the contractual services and other categories of the Scientific Laboratory Division, to cover operations and maintenance costs of the New Mexico Scientific Laboratories building;
- A category transfer of \$2,553,450 in General Fund from the personal services and employee benefits category to the other category for the lease payment of the Fort Bayard Medical Center; and
- A transfer of \$705,000 in General Fund from the other category into the personal services category into the employee benefits category and the contractual services category to ensure that DDSB had sufficient State General Fund to match federal Medicaid funds for salaries and benefits (\$200,000) and provide contractual services in the Family Infant Toddler Program (\$505,000).

Capital Assets and Debt Administration

Total capital assets, net of depreciation, for the Department make up 42.6 percent of the Department's total assets. The Department has no infrastructure assets, but does have a capital lease for its Fort Bayard Medical Center.

Total compensated absences at June 30, 2012 are approximately \$7.1 million. The estimated amount to be paid within one year is \$6.4 million, while \$714,374 could be paid after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2012.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2012**

Currently Known Facts, Decisions, and Conditions

The national and state financial situation for the upcoming fiscal years is more cautiously optimistic than in any of the fiscal years since the recession of 2008. Although some recent economic indicators have improved, others continue to send mixed messages without a clear picture of sustained economic growth. In addition, the growing federal debt, and associated federal budget deficits, along with automatically scheduled federal budget reductions under sequestration provisions or other potential federal appropriation decreases, lead prudent analysts to plan for and possibly anticipate potentially significant reductions in federal funds for the Department in future federal fiscal years.

Department of Finance and Administration's Cash Remediation Project

The New Mexico Department of Finance and Administration recently initiated a project designed to verify cash balances reported by state agencies at the business unit and fund levels. Details regarding the Cash Management Remediation Project can be found at http://www.nmdfa.state.nm.us/Cash_Control.aspx.

Contacting the Agency's Financial Management

This financial report is designed to provide New Mexico residents, taxpayers, customers, legislators and vendors with a general overview of the Department's finances, and to demonstrate the Department's accountability for the funding it receives. If you have any questions about this report or need additional information, contact:

James W. Green, CFO/Deputy Cabinet Secretary of Finance and Administration
New Mexico Department of Health
Harold Runnels Building
1190 St. Francis Drive, Suite N4400
P.O. Box 26110
Santa Fe, NM 87502

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF NET ASSETS
As of June 30, 2012

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Investment in State General Fund Investment Pool	\$ 57,234,536
Cash	765,613
Accounts receivable, net	11,096,405
Due from federal government	15,198,905
Due from other state agencies	4,230,562
Due from other local government	336,061
Inventory	3,417,624
Prepaid expenses and others	92,637
Total current assets	<u>92,372,343</u>
Noncurrent Assets	
Capital assets	131,809,036
Less accumulated depreciation	<u>(63,189,609)</u>
Total noncurrent assets	<u>68,619,427</u>
Total assets	<u>\$ 160,991,770</u>
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 30,382,288
Accrued payroll	3,593,288
Due to State General Fund	21,003,888
Due to other state agencies	23,958,855
Due to the federal government	395,535
Due to local government	37,485
Deferred revenues	6,800,116
Other liabilities	1,221,778
Compensated absences	6,419,297
Capital lease payable	1,130,000
Total current liabilities	<u>94,942,530</u>
Long-term Liabilities	
Compensated absences	714,374
Capital lease payable - Due in more than one year	<u>56,715,000</u>
Total long-term liabilities	<u>57,429,374</u>
Total liabilities	<u>152,371,904</u>
Net Assets	
Invested in capital assets	10,774,427
Unrestricted (deficit)	<u>(2,154,561)</u>
Total net assets	<u>8,619,866</u>
Total liabilities and net assets	<u>\$ 160,991,770</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
GOVERNMENTAL ACTIVITIES:					
Administration	\$ 19,313,044	58,637	6,829,238	-	(12,425,169)
Public health	165,408,746	25,247,059	69,159,706	-	(71,001,981)
Public health in -kind	35,809,384	-	35,809,384	-	-
Epidemiology and response	21,258,305	886,327	12,717,198	-	(7,654,780)
Laboratory services	12,349,137	2,476,789	2,396,411	-	(7,475,937)
Facilities management	125,502,307	71,996,767	23,639	-	(53,481,901)
Developmental disabilities supports services	49,561,407	3,752,443	12,657,564	-	(33,151,400)
Health certification, licensing and oversight	11,132,776	2,513,789	5,508,720	-	(3,110,267)
Other health initiatives	53,651	-	-	-	(53,651)
Interest on capital lease	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 440,388,757	106,931,811	145,101,860	-	(188,355,086)
GENERAL REVENUES AND TRANSFERS:					
General revenues:					
State General Fund appropriations					289,207,100
STB appropriations					83,095
Tobacco settlement funds					6,987,124
County-supported Medicaid					2,300,852
Interest income					2,714,581
Reversion - FY2012 - Transfer out					(20,889,957)
Other					(68,435)
Inter-agency transfers, net					(86,290,506)
TOTAL GENERAL REVENUES AND TRANSFERS					194,043,854
CHANGE IN NET ASSETS					5,688,768
NET ASSETS, BEGINNING					2,931,098
NET ASSETS, ENDING					\$ 8,619,866

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2012

	Major Funds		Other Non-major Funds	Total Governmental Funds
	General Fund 06100	ARRA Fund 89000		
ASSETS:				
Investment in State General Fund				
Investment Pool	\$ 52,411,380	-	4,823,156	57,234,536
Cash	765,613	-	-	765,613
Accounts receivable, net	11,096,405	-	-	11,096,405
Due from federal government	14,875,059	323,846	-	15,198,905
Due from other state agencies	3,964,749	-	265,813	4,230,562
Due from other local governments	331,149	-	4,912	336,061
Due from other funds	132,408	-	-	132,408
Inventory	3,417,624	-	-	3,417,624
Prepaid expenses and others	92,598	39	-	92,637
TOTAL ASSETS	\$ 87,086,985	323,885	5,093,881	92,504,751
LIABILITIES:				
Accounts payable	\$ 29,553,881	188,787	639,620	30,382,288
Accrued payroll	3,588,827	2,752	1,709	3,593,288
Due to State General Fund	20,898,306	-	105,582	21,003,888
Due to other funds	-	132,408	-	132,408
Due to other state agencies	23,500,130	-	458,725	23,958,855
Due to federal government	395,535	-	-	395,535
Due to local government	37,485	-	-	37,485
Deferred revenues	4,461,117	-	2,338,999	6,800,116
Other liabilities	1,221,778	-	-	1,221,778
TOTAL LIABILITIES	83,657,059	323,947	3,544,635	87,525,641
FUND BALANCES:				
Nonspendable	3,429,926	-	-	3,429,926
Restricted	-	-	1,549,246	1,549,246
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(62)	-	(62)
TOTAL FUND BALANCES	3,429,926	(62)	1,549,246	4,979,110
TOTAL LIABILITIES AND FUND BALANCES	\$ 87,086,985	323,885	5,093,881	92,504,751

See Notes to Financial Statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
As of June 30, 2012**

**Total Fund Balances - Governmental Funds
(Governmental Funds Balance Sheet) \$ 4,979,110**

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

The cost of capital assets is:	131,809,036
Accumulated depreciation is:	<u>(63,189,609)</u>

Total capital assets	68,619,427
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Capital lease payable is not due and payable in the current period and, therefore, are not reported in the funds:	(57,845,000)
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Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:	<u>(7,133,671)</u>
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Net assets of governmental activities (Statement of Net Assets) \$ 8,619,866

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Major Funds			Total Governmental
	General Fund 06100	ARRA Fund 89000	Other Non-major	
REVENUES:				
Federal grant revenue	\$ 103,346,673	5,945,802	-	109,292,475
In-kind assistance	35,809,384	-	-	35,809,384
Charges for services	80,432,538	5	-	80,432,543
Investment earnings	2,714,581	-	-	2,714,581
Fees, penalties, rentals and other	26,402,368	-	96,902	26,499,270
TOTAL REVENUES	\$ 248,705,544	5,945,807	96,902	254,748,253
EXPENDITURES:				
Current operating:				
Administration	\$ 12,833,486	1,696,150	4,084,124	18,613,760
Public health	162,992,132	-	2,335,419	165,327,551
Public health in-kind assistance	35,809,384	-	-	35,809,384
Epidemiology and response	16,894,852	1,039,024	3,196,165	21,130,041
Laboratory services	11,549,731	-	-	11,549,731
Facilities management	124,400,852	-	-	124,400,852
Development Disabilities Support Services	46,346,062	3,210,628	-	49,556,690
Health, Certification, Licensing and Oversight	11,095,799	-	-	11,095,799
Other health initiatives	-	-	53,651	53,651
Capital outlay	1,035,890	-	7,931	1,043,821
TOTAL EXPENDITURES	422,958,188	5,945,802	9,677,290	438,581,280
DEFICIENCY OF REVENUES OVER EXPENDITURES	(174,252,644)	5	(9,580,388)	(183,833,027)
OTHER FINANCING SOURCES (USES):				
General fund appropriation	275,553,050	-	13,654,050	289,207,100
Tobacco Settlement appropriation	6,987,124	-	-	6,987,124
County-supported Medicaid	-	-	2,300,852	2,300,852
STB appropriation	-	-	83,095	83,095
Reversion - FY2012 - transfer out	(20,593,753)	-	(296,204)	(20,889,957)
Capital lease principal payment	-	-	(2,155,000)	(2,155,000)
Capital lease interest payment	-	-	(4,448,447)	(4,448,447)
Inter-agency transfers, net	(86,326,716)	-	36,210	(86,290,506)
TOTAL OTHER FINANCING SOURCES	175,619,705	-	9,174,556	184,794,261
NET CHANGE IN FUND BALANCE	1,367,061	5	(405,832)	961,234
FUND BALANCES, BEGINNING	2,062,865	(67)	1,955,078	4,017,876
FUND BALANCES, ENDING (DEFICIT)	\$ 3,429,926	(62)	1,549,246	4,979,110

See Notes to Financial Statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 961,234

Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase in the liabilities for the fiscal year was: 48,989

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	1,043,821
Depreciation expense	<u>(5,238,584)</u>

Excess of depreciation expense over capital outlay	(4,194,763)
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The Statement of Activities reports the loss on the sale of equipment, while the Statement of Revenues, Expenditures and Changes in Fund Balance reports the proceeds. The reconciling amount is the difference: (68,435)

Interest on capital lease is not accrued in the fund financial statements unless it is due and payable	6,786,743
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Repayments of capital lease obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Net Assets:	<u>2,155,000</u>
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Change in net assets of governmental activities
(Statement of Activities) \$ 5,688,768

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

GENERAL FUND - FUND 061

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance Form Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 103,570,200	110,590,734	94,018,015	(16,572,719)
General funds	281,656,500	275,553,050	275,553,050	-
Other state funds	113,781,200	113,482,522	109,549,488	(3,933,034)
Inter-agency transfers*	24,091,100	23,387,558	20,331,175	(3,056,383)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 523,099,000	523,013,864	499,451,728	(23,562,136)
EXPENDITURES - current & capital outlay:				
Personal services and employee benefits	\$ 212,824,400	209,564,999	190,877,844	18,687,155
Contractual services	68,616,600	75,950,672	68,062,379	7,888,293
Other	148,158,500	143,798,693	128,208,580	15,590,113
Other financing uses	93,499,500	93,699,500	90,342,111	3,357,389
TOTAL EXPENDITURES	\$ 523,099,000	523,013,864	477,490,914	45,522,950
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			21,960,814	
REVERSIONS (NOT BUDGETED)			(20,593,753)	
NET CHANGE IN FUND BALANCE			<u>\$ 1,367,061</u>	

* Federal funds passed through to the Department from the NM Human Services Department in the amount of \$9,328,656 is budgeted as other inter-agency transfers and is classified as federal grant revenue on the statement of revenues, expenditures and changes in fund balances.

Public Health in-kind assistance not included in budget.

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND
EXPENDITURES - ARRA FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL
BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

ARRA FUND (Fund 890) Multi-year Budget

Budgeted Amounts

	Original Budget in 2009	Accumulated Additions FY 2009 - FY 2011	Interim Accumulated Budget FY 2011	FY 2012 Budget Adjustments	Final Budget FY 2012
REVENUES:					
Federal funds	\$ 546,044	18,002,363	18,548,407	760,775	19,309,182
General funds	-	-	-	-	-
Other state funds	-	-	-	-	-
Inter-agency transfers	-	-	-	-	-
Budgeted fund balance	-	-	-	-	-
TOTAL REVENUES	\$ 546,044	18,002,363	18,548,407	760,775	19,309,182
EXPENDITURES - current & capital outlay:					
Personal services and employee benefits	\$ -	1,073,719	1,073,719	58,131	1,131,850
Contractual services	-	8,613,026	8,613,026	648,353	9,261,379
Other	546,044	8,315,620	8,861,664	54,289	8,915,953
Other financing uses	-	-	-	-	-
TOTAL EXPENDITURES	\$ 546,044	18,002,365	18,548,409	760,773	19,309,182
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)					
NET CHANGE IN FUND BALANCE					

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND
EXPENDITURES - ARRA FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL
BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

ARRA FUND (Fund 890) Multi-year Budget

	Actual Amounts for FY 2009 - FY 2011	Actual Amount FY 2012 (Budgetary Basis)	Accumulated Actual Amount FY 2009 - 2012	Variance Form Final Budget Positive (Negative)
REVENUES:				
Federal funds	\$ 11,200,467	5,945,802	17,146,269	(2,162,913)
General funds	-	-	-	-
Other state funds	-	5	5	5
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 11,200,467	5,945,807	17,146,274	(2,162,908)
EXPENDITURES - current & capital outlay:				
Personal services and employee benefits	\$ 532,274	472,240	1,004,514	127,336
Contractual services	4,270,295	3,340,836	7,611,131	1,650,248
Other	6,397,898	2,132,726	8,530,624	385,329
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 11,200,467	5,945,802	17,146,269	2,162,913
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>5</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 5</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
As of June 30, 2012**

	<u>Agency Funds</u>
ASSETS:	
Investment in State General Fund Investment Pool	\$ 354,380
Cash	<u>1,010,043</u>
TOTAL ASSETS	<u><u>1,364,423</u></u>
LIABILITIES:	
Fund held for others	968,175
Vouchers Payable	125
Due to other state agencies	<u>396,123</u>
TOTAL LIABILITIES	<u><u>\$ 1,364,423</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

REPORTING ENTITY

The State of New Mexico Department of Health (the Department) is a cabinet department of the executive branch of government created by state statute under Chapter 9, Article 7 NMSA 1978. The Department's administrative head is the Secretary, who is appointed by the Governor with the consent of the Senate and serves in the Governor's executive cabinet.

The Governmental Accounting Standards Board (GASB) has set forth criteria to be used in determining financial accountability. These criteria include the State of New Mexico's ability to appoint a voting majority of an organization's governing body and either the ability of the State to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

The Department is part of the primary government of the State, and its financial data should be included with the financial data of the State. However, the State does not at present issue an audited Comprehensive Annual Financial Report inclusive of the various state departments, agencies, institutions and organizational units which are controlled by or dependent upon the New Mexico legislature or its constitutional officers that make up the State's legal entity.

Chapter 12, Article 6, NMSA 1978 requires that the financial affairs of every agency be thoroughly examined and audited each year and that a complete written report is made.

For financial reporting purposes, the Department has been defined as an integral part of the State's Executive Branch, and the accompanying financial statements include all funds over which the Secretary has the following oversight responsibilities:

- Financial interdependency
- Ability to significantly influence operations
- Accountability for fiscal matters
- Selection of governing authority
- Designation of management

The Department of Health's budget is appropriated by the Legislature during the State's annual legislative session. For fiscal year 2012 (FY12), the Legislature passed and the Governor enacted the budget, and the Operating Budget was approved, in seven Program Areas, as shown below:

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

REPORTING ENTITY (CONTINUED)

Program Area One (P001) — Administration:

- Office of the Secretary
- Chief Financial Officer
- Office of General Counsel
- Office of Internal Audit
- Chief Information Officer
- Human Resources
- Administrative Services

The Administration Program provides leadership, policy development, information technology, administrative and legal support to the Department to ensure that the Department achieves a high level of accountability and excellence in services provided to the people of New Mexico.

Program Area Two (P002) — Public Health:

- Division Director
- WIC Program
- Immunization Program
- Breast and Cervical Cancer
- Diabetes Program
- Family Health Program
- Children's Medical Services
- Family Planning
- Maternal Child Health
- Medical Cannabis
- Pharmacy

The Public Health Division is statutorily required to create and fund programs, services and policy to protect the health and welfare of the people of New Mexico. In doing so, the Division focuses on cost-effective early prevention programs, creating a safe and healthy environment, preventing and controlling infectious diseases, and increasing access to health care services.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

REPORTING ENTITY (CONTINUED)

Program Area Three (P003) — Epidemiology and Response:

Emergency Preparedness Emergency
Medical Services
Epidemiology and Response
Vital Records and Health Statistics
Trauma Authority

The mission of the Epidemiology and Response Division is to monitor health, provide health information, prevent disease and injury, promote health and healthy behaviors, respond to public health events, prepare for health emergencies, and provide emergency medical and vital registration services to New Mexicans. This mission is achieved through six bureaus: Vital Records and Health Statistics, Infectious Disease Epidemiology, Injury and Behavioral Epidemiology, Environmental Health Epidemiology, Health Emergency Management and Emergency Medical Services.

Program Area Four (P004) - Laboratory Services:

Scientific Laboratory Division

The Scientific Laboratory Division (SLD) provides clinical testing for infectious disease agents in support of public health programs operated by the Department; veterinary, food, and dairy testing for the Department of Agriculture; forensic toxicology (drug) testing in support of the Department of Public Safety and local law enforcement agencies for the Implied Consent Act (DWI) and for autopsy investigation performed by the Office of the Medical Investigator; and chemical testing for environmental monitoring and enforcement of law and environmental regulations for the Environment Department. SLD also provides clinical testing for state and local hospitals for infectious diseases that are rare or novel in New Mexico and provides training and certification of law enforcement officers to perform breath alcohol testing within New Mexico. The activities of SLD in support of these state agencies are mandated in statute and are essential for the successful missions of the programs it supports in these agencies.

Program Area Five (P005) - Behavioral Health Services - moved to HSD for fiscal year 2008

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

REPORTING ENTITY (CONTINUED)

Program Area Six (P006) — Facilities:

- Fort Bayard Medical Center (Silver City)
- State Veterans Home (Truth or Consequences)
- Turquoise Lodge (Albuquerque)
- New Mexico Rehabilitation Center (Roswell)
- Sequoyah Adolescent Treatment Center (Albuquerque)
- Behavioral Health Institute (Las Vegas)
- Los Lunas Community Programs

The Facilities Program provides chemical dependency and rehabilitation services, adult psychiatric services, forensic services, long term care services, community based services, developmentally disabled community services and adolescent treatment and reintegration services to New Mexico residents in need of such services in seven facilities across New Mexico.

Program Area Seven (P007) — Developmentally Disabled Support Services:

Home-based Living for the Disabled

The purpose of the Developmental Disabilities Support Program is to administer a statewide system of community-based services and supports in order to improve the quality of life and to increase the independence and interdependence of individuals with developmental disabilities and children with or at risk for developmental delay or disability and their families.

Program Area Eight (P008) — Health Certification, Licensing and Oversight

- Division of Health Improvement
- Health Facility Licensing and Certification
- Incident Management
- Quality Management
- Caregiver's Criminal History Screening

The mission of the Division of Health Improvement is to assure safety and quality care in New Mexico's health care facilities and community-based programs in collaboration with consumers, providers, advocates, and other agencies. DHI promotes quality improvement by conducting surveys and program reviews, taking appropriate action, identifying trends and patterns, and procuring training.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

REPORTING ENTITY (CONTINUED)

Governmental Accounting Standards Board Statement 14, modified by 39, established standards for identifying a component unit through evaluation of the reporting entity and significance of certain related party transactions, defined as potential component units. Depending on the results of the GASB Statement 14/39 evaluation, financial information of related parties determined to be component units could be required to be included in the financial statements of the reporting entity.

In evaluating how to define the Department for financial reporting purposes, management has evaluated the Department's potential component units. The basic, but not the only, criteria for including a potential component unit as part of the reporting entity are the governing body's ability to exercise oversight responsibility. The most significant aspects of this responsibility are the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service.

Application of the criteria involves considering whether the activity benefits the Department. A third criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Department is able to exercise oversight responsibilities. In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Department. Based on the application of these criteria, there are no component units included in these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the Department of Health have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. GASB Statement 34, Statement 37 and Statement 38 establish financial reporting requirements for state and local governments throughout the United States. The Department has elected not to apply pronouncements of the Financial Accounting Standards Board issued subsequent to November 30, 1989.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

The Department is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. The Department has implemented these standards beginning with the fiscal year ended June 30, 2002. The Department has prepared required supplementary information in the titled Management's Discussion and Analysis, (MD&A), which precedes the basic financial statements. The Department's significant accounting policies are described below.

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type, and exclude fiduciary funds. The Department is a single-purpose government entity and has no business type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost-per-functional category, which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. All internal activity has been removed from the financial statements.

The net cost by function is normally covered by general revenue. The Department operates seven programs and employs indirect and direct cost allocation as applicable in the financial statements.

The government-wide focus is on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Department utilizes governmental funds and fiduciary funds. The Department has no proprietary funds to report.

The governmental funds in the fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources, and to demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation. The Department's General Fund is a reverting fund.

The focus of the revised model is on the Department as a whole and the fund financial statements, including the major funds in the governmental category.

The financial transactions of the Department are recorded in the General Fund and its other funds, each of which is considered a separate accounting entity. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditure or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which the spending activities are controlled.

The following describes the individual funds used by the Department:

Governmental Funds

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

Government Funds – Continued

Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, the statements present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. The following is a description of the funds of the Department:

Major Funds

General Fund. The General Fund (Fund 06100) is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund combines activities for all the programs of the Department. The General Fund is funded from appropriations from the State of New Mexico State General Fund, special appropriations, Federal grants and other revenue. These funds are reverting.

ARRA Fund. The Department of Health ARRA Special Revenue Fund (fund 89000) was administratively created by NM Department of Finance and Administration. The fund is used to account for the activity related to the funding provided by the federal government under the American Recovery and Reinvestment Act. These funds are non-reverting. All activity is segregated to ensure:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated;

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

Major Funds - Continued

- Projects funded under this Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Other Non-major Funds

Special Revenue Funds. DOH maintains five non-major Special Revenue Funds and one Capital Project Fund to account for funding and appropriations that are restricted by law. Those funds are:

- The County Supported Medicaid Fund (Fund 21900) - This fund was created by Section 27- 10-3 NMSA 1978 to institute or support primary health care services in underserved areas. These funds are restricted by law and do not revert in any fiscal year. These funds are non-reverting.
- The Trauma System Fund (Fund 25700) - This fund was created by Section 24-10E-2 NMSA 1978. The purpose of this fund was to provide funding to sustain existing trauma centers, support the development of new trauma centers and develop a statewide trauma system. These funds are non-reverting.
- The Save Our Children's Sight Fund (Fund 26100) - This fund was created by Section 24-1-31 NMSA 1978. The purpose of this fund is to provide funding for the development and implementation of a vision screening program, which includes making vision screenings and follow up comprehensive examinations available to the children of New Mexico regardless of family income. These funds are non-reverting.
- The Emergency Medical Services Fund (Fund 75600) - This fund was created by Section 24- 10A-2 NMSA 1978. The purpose of this fund is to make money available to municipalities and counties for use in the establishment and enhancement of local emergency medical services, statewide emergency medical services and trauma services in order to reduce injury and loss of life. These funds are non-reverting.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

Other Non-Major Funds – Continued

- The Birthing Workforce Retention Fund (Fund 95800) - The fund was created by Section 41-5-26.1 NMSA 1978. The purpose of this fund is to provide malpractice insurance premium assistance for certified nurse-midwives or physicians whose insurance premium costs jeopardize their ability to continue their obstetrics practices in New Mexico. These funds are non-reverting.

Capital Projects Fund. The Capital Projects Fund (Fund 05900) is used to account for appropriations and expenditures relating to capital construction and improvement projects appropriated by the Legislature for long-term care and other facilities. The Capital Projects reported in this fund are funded through General Fund Appropriation or Severance Tax Bond sales. The debt for the Severance Tax bonds are recognized and reported in the report of the New Mexico State Treasurer's Office. These funds are reverting.

Fort Bayard Medical Center Lease Purchase Agreement Fund (Fund 20480). The New Mexico Department of Health was appropriated funds in the Laws of 2011, Chapter 179, Section 4 for the Fort Bayard Medical Center Lease Purchase Agreement. The fund was created to account for all fiscal activity related to the lease purchase agreement between the State of New Mexico – Department of Health and Grant County, New Mexico. The payments for the lease purchase agreement are funded through General Fund Appropriations. These funds are reverting.

Fiduciary Funds

Agency Funds. The Department also maintains two Agency Funds, which are trust accounts that are held for clients. They are not available for use by the Department but are held for clients, such as wards of the State and other state agencies. Accounting for financial activity in these funds utilizes the full accrual basis of accounting.

- The Birth & Death Certificate Fund (Fund 50200) - This fund is used to account for revenue from birth and death certificates collected by Public Health Offices statewide and due by statute to the State General Fund and the New Mexico Children, Youth, and Families Department.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds - Continued

- The Patients' Trust Fund (Fund 51000) - This fund is used for patient trust monies that are held on behalf of the residents of the Department's long-term and other care facilities.

Measurement Focus and Classification of Funds

Individual funds have been established as stipulated by legal provisions or by administrative direction. The funds presented are classified as follows:

Governmental Funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Governmental fund types use the flow of current financial resources measurement focus. Included in this classification is the General Fund, which is the Department's operating fund that accounts for all financial resources except those required to be accounted for in another fund; the six Special Revenue Funds described above; and the Capital Projects Fund.

Fiduciary Funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governmental units, or other funds. Included in this fund category are the Department's two Agency Funds described above. Agency funds are custodial in nature; thus, they do not measure results of operations. The two Agency Funds deal with patient trust funds for patients' checking, savings, and burial accounts from which the patients buy personal items. These funds are not incorporated in to the government-wide financial statements. Fiduciary funds use the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, and then unrestricted resources as they are needed.

Non-Current Governmental Assets/Liabilities

GASB Statement 34 eliminated the presentation of Account Groups but requires that these records be maintained and that the information incorporated into the government-wide Statement of Net Assets.

Basis of accounting refers to the point at which revenue and expenditures are recognized in the accounts and reported in the financial statements and relates to the

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation – Continued

Non-Current Governmental Assets/Liabilities - Continued

timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenditures are recognized when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement 33. The governmental funds in the fund financial statements utilize the modified accrual basis of accounting. Under this method, revenue and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally 60 days.

Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources. When expenditure is incurred for purposes for which both restricted and unrestricted net assets are available, the Department first uses restricted resources and then unrestricted resources.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation – Continued

Fund Balance Classifications

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

The Department's fund balances represent: 1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2012, follows:

Nonspendable - Petty Cash and Change Funds. This reserve was created for imprested petty cash funds and change funds.

Nonspendable - Inventories. This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

Nonspendable - Postage. This reserve was created for prepaid postage on hand at year end. At year end, postage remaining in the meter is recorded as a prepaid asset with an offsetting reserve of fund balance in the Governmental Fund Statement.

Spendable – Restricted. This reserve consists of liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation – Continued

Fund Balance Classifications - Continued

Spendable – Committed for Multi-Year Appropriations. This reserve was created for multiyear appropriations for which the Department has received funds for projects which extend into future years.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, restricted fund balance must be spent first. When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS

Cash

The Department maintains cash accounts with the Office of the State Treasurer and at various commercial institutions statewide. Amounts on deposit with the commercial institutions are fully insured by the Federal Deposit Insurance Corporation up to \$250,000. Amounts over \$250,000 must be secured in accordance with 6-10-17 NMSA 1978 which requires banks pledge collateral valued at 50 percent of the uninsured amount deposited.

The Department is required by statute to deposit any money received into the State Treasury. Balances maintained at the end of each day are pooled and invested by the State Treasurer in repurchase agreements. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Department (refer to Schedule 2 — Pledged Collateral and Schedule 1 — Schedule of Individual Deposits). Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its cash that is in the possession of an outside party. The Department's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the Department's name.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

Cash – Continued

Beginning with FY07, the New Mexico Department of Finance & Administration directed that agency cash accounts maintained in the State treasury now be referred to as "Investment in the State General Fund Investment Pool," or investment in SGFIP, to reflect the fact that State agencies do not maintain cash per se but rather agencies' cash accounts are actually interest in the State General Fund that is invested with other State monies in investment accounts.

As per Section 6-5-2.1 (J) NMSA 1978, the Department of Finance and Administration (DFA) is required to complete a monthly reconciliation of the balances and accounts maintained by the State Treasurer's Office (STO).

Interest in State General Fund Investment Pool

In June 2012, an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool (SGFIP) has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/ confirmation of the Department of Health balances at the business unit/fund level is not possible. Reconciliation of the SGFIP is the responsibility of the Department Finance and Administration.

The Department of Health identifies and posts all warrants and deposits as they are processed at the department's Administrative Services Division (ASD). Each fund is reconciled on a periodic basis including cash and General Fund Investment Pool (SGFIP) balances as reflected on SHARE.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

Cash – Continued

Interest in the General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2012, the Department had the following invested in the General Fund investment Pool: General Fund Investment Pool \$57,588,916. Refer to Schedules 1 and 2 of the Supplementary Schedules related to deposits and collateral related to Cash and the General Fund Investment Pool funds.

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

Inventory and Prepaid

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In addition, employee travel advances are recorded as pre-paid items until travel is completed and actual amounts due are reconciled and paid.

Inventory is valued at cost using the first-in, first-out method. Inventory consists of expendable supplies held for consumption and pharmaceuticals held for patient use at the medical and long-term facilities.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

Capital Assets

Property, buildings, and equipment purchased or acquired at a value of \$1,000 or greater prior to July 1, 2005 are capitalized. Capital Assets acquired after June 30, 2005, are only capitalized if the acquisition amount was \$5,000 or more (Section 12-6-10 NMSA 1978). Assets are carried at historical cost or estimated historical cost. Those assets acquired and capitalized prior to July 1, 2005 that have not been fully depreciated are still being depreciated under the previous policy. Currently, contributed assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed when incurred. Depreciation on all assets, including software, is provided on the straight-line basis over the following estimated useful lives with no salvage value:

	<u>Years</u>
Land Improvements	10 to 20
Buildings and Structures	5 to 40
Machinery and Equipment	5 to 20
Vehicles	5 to 10
Information Technology	5 to 20
Furniture/Fixtures	5 to 20

In addition to the assets owned by the Department, the Department utilizes buildings, vehicles, furniture and equipment owned by the Property Control Division of the State of New Mexico General Services Department. These assets and the related depreciation expense are not included in the accompanying financial statements.

Although GASB Statement 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc., the Department does not own any infrastructure assets. There is no debt related to the Department's capital assets.

Capital Leases

Leases that substantially transfer all of the risks and benefits of ownership are accounted for as capital leases. Capital leases are included in the capital assets, and where appropriate, are amortized over the shorter of their economic useful lives or lease terms. The related capital lease obligations are included in the long-term liabilities in the government-wide financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

Compensated Absences

Vacation time, compensatory time, and sick time are reported as liabilities in the government-wide financial statements, with expenses being reported during the period that leave is accrued. It is the policy of the Department to permit employees to accumulate earned but unused vacation and sick pay benefits. The fund financial statements report expenditures during the period that employees are actually paid, or when compensated absences are liquidated with expendable financial resources from the operational portion of state General Fund appropriations. These expenditures are paid from the Department's General Operating Fund (Fund 06100). Qualified employees are entitled to accumulate vacation leave according to a graduated schedule of 80 to 160 hours per year, depending upon the length of service and the employee's hire date. A maximum of thirty working days (240 hours) of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess is lost.

When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of thirty days.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave which an employee may accumulate. Once per fiscal year, in either January or July, employees may elect to be paid for 50% of accrued sick leave in excess of 600 hours, up to 720 hours, not to exceed 120 hours (60 hours maximum can be paid). Sick leave balances related to general fund operations in excess of 600, but not more than 1,000, hours have been recorded at 50% of the employee's hourly rate in the general fund.

Compensatory time may be granted by the Department to employees when overtime is needed. Employees not exempt from the FLSA may accrue up to 240 hours at the rate of one-and-a-half (1 ½) hours for each hour worked. The time will either be paid or taken as time off at the employee's election unless notified by the employer that it can only be taken as compensatory time off.

FLSA-exempt employees may only accrue up to 80 hours a year at a rate of one (1.0) times the hours worked. The exception is supervisory nurses who accrue their hours at the rate of one-and-a-half the normal rate (1 ½). The Department policy permits exempt employees to elect to be reimbursed by cash or take time off unless notified by the employer that it will only be taken as compensatory time off.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

In addition to the basic current hourly pay rate, the accrual of compensated absences includes the Department's estimated costs of payroll taxes.

Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets less outstanding liquid assets (net of related debt), restricted and unrestricted.

- Investment in Capital Assets (net of related debt) - Reflects the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Assets - Reflects the value of liquid assets generated from revenue but not bond proceeds which have third-party (statutory, bond covenant or granting agency) limitations on their use.
- Unrestricted Assets - Represents assets that do not have third-party limitations on their use.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Intra-fund Activity

Intra-fund receivables or payables at year-end are netted as part of the reconciliation to the governmental-wide financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

The State Legislature makes annual appropriations to the Department. Legal compliance is monitored through the establishment of an annual operating budget for the Department that is reviewed and approved by the New Mexico Department of Finance and Administration.

The following are the procedures followed in establishing the budgetary data presented in the financial statements:

1. The Department submits an annual appropriation request (budget) to the New Mexico Legislature and the New Mexico Department of Finance and Administration for the fiscal year commencing the following July 1. The State Legislature must appropriate funds to the Department before an operating budget can be legally approved by the New Mexico Department of Finance and Administration.
2. The expenditures and encumbrances of each category may not legally exceed the budget for that category. Budgets are controlled at the four "category" levels:
 - Personal Services and Employee Benefits;
 - Professional Services;
 - Other Expenditures; and
 - Other Financing Uses.
3. All requested budget adjustments must be submitted to and approved by the Department of Finance and Administration in the form of budget adjustment requests.
4. The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This practice became effective beginning July 1, 2004. In prior years, the budgetary basis was not considered to be consistent with the GAAP basis of accounting. Budgetary comparisons presented in the financial statements are now presented on a basis which is consistent with generally accepted accounting principles.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Data - Continued

5. Unless otherwise specified in law (either appropriations acts or statutory law), appropriations to the Department are designated as "reverting" by the New Mexico State Legislature and, therefore, unencumbered balances in state agency accounts remaining at the end of the fiscal year from appropriations made from the New Mexico State General Fund revert to the New Mexico State General Fund.
6. Per Section 9 of the General Appropriation Act of 2008, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services and other. Therefore, the legal level of budgetary control would be the appropriation program level (A-Code, P-Code, R-Code, and Z-Code). The A-Code pertains to capital outlay appropriations (general obligation/severance tax or state general fund). The P-Code pertains to operating funds. The R-Code pertains to American Recovery & Reinvestment Act (ARRA) funds. The Z-Code pertains to special appropriations.

Revenue Recognition

State General Fund appropriations are recognized in the year the appropriation is made. Receivables are recognized as revenue in the year the services which gave rise to the receivable are provided. Bond proceeds are recognized when all eligibility requirements have been met.

Program Revenue

Program revenue includes program-specific operating grants from federal sources or other state agencies. No allocation of indirect expenses is made by function as costs not accounted for by activity are considered immaterial.

- **Federal Grants** - Revenue is recognized when appropriate expenditures are incurred or accrued by the Department.
- **Patient Service Revenue and Contractual Adjustments** - Patient services revenue is recorded at the established rates of the medical facilities and hospitals but is reduced by "contractual adjustments" to recognize allowances for charity services, provisions for uncollectible

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Program Revenue - Continued

accounts, and charges that otherwise exceed payments from Medicare, Medicaid, private or other resources. Medicare and Medicaid payments accounted for approximately 89% of net patient service revenues received in 2012.

Amounts receivable and payable under reimbursement from "third-party payer" agreements, primarily Medicare and Medicaid, are subject to examination and retroactive adjustment by a third-party payer. Provisions for estimated retroactive adjustments by third-party payers are provided in the period the related services are rendered. Any difference between the amounts accrued and settled is reflected in operations in the year of settlement.

The facilities are paid for substantially all inpatient services rendered to Medicaid and/or Medicare program beneficiaries under prospectively determined rates per client. Accordingly, to the extent that costs incurred (exclusive of other defined capital costs and certain education costs of the rehabilitation centers which continue to be paid on the basis of reasonable costs) for services rendered to Medicare and Medicaid patients exceed the determined payment rates, those costs are not recoverable from the Medicare and Medicaid programs or their beneficiaries. The facilities' payment classification of patients under the prospective system is subject to review based on validation audits by third parties.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4. ACCOUNTS RECEIVABLE

The accounts receivable and the related allowance for uncollectible accounts for the General Fund as of June 30, 2012, are as follows:

Program/Facility	Accounts Receivables	Allowance for Un-collectables	Net Accounts Receivables
General Fund			
Public Health Division	\$ 1,999,925	396,156	1,603,769
Epidemiology and Response Division	146,799	-	146,799
Scientific Laboratory	114,030	-	114,030
Turquoise Lodge	348,047	201,859	146,481
New Mexico Behavior Health Institute	12,843,509	9,240,777	3,602,732
New Mexico Rehabilitation Center	1,877,865	1,253,742	624,123
Sequoyah Adolescent Treatment	549,281	-	549,281
New Mexico Veterans Home	1,016,036	199,493	816,543
Los Lunas Community Program	1,378,570	879,000	499,570
Fort Bayard Medical Center	4,286,405	1,293,328	2,993,077
	<u>\$24,560,760</u>	<u>13,464,355</u>	<u>11,096,405</u>

The allowance for uncollectible accounts has been established from experience based on the records of the respective activities.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Type Activities</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance June 30, 2012</u>
Land	\$ 59,700	-	-	\$59,700
Total non-depreciable assets	59,700	-	-	59,700
Land Improvements	230,577	-	-	230,577
Buildings and structures	98,537,168	9,080	(32,440)	98,513,808
Machinery and equipment	14,844,519	234,476	(473,508)	14,605,487
Vehicles	2,036,199	-	-	2,036,199
Information technology	14,247,644	782,760	(329,656)	14,700,748
Furniture and Fixtures	1,716,417	\$17,505	(71,405)	1,662,516
Total depreciable assets	131,612,524	1,043,821	(907,009)	131,749,336
Less accumulated depreciation				
Land improvements	232,655	147	-	232,802
Buildings and structures	33,451,014	3,078,190	(21,255)	36,507,949
Machinery and equipment	10,551,485	1,200,447	(416,451)	11,335,480
Vehicles	1,582,059	100,141	-	1,682,200
Information and technology	11,785,495	796,370	(329,656)	12,252,209
Furniture and fixtures	1,186,891	63,288	(71,211)	1,178,968
Total accumulated depreciation	58,789,599	5,238,584	(838,574)	63,189,609
Total capital assets, net	<u>\$ 72,882,625</u>	<u>(4,194,763)</u>	<u>(68,435)</u>	<u>68,619,427</u>

Depreciation expense was charged to functions as follows:

Administration	\$ 699,284
Public Health	130,184
Epidemiology and response	128,264
Laboratory services	799,406
Facilities management	3,439,752
Developmental disabilities support services	4,716
Health certification, licensing and oversight	<u>36,977</u>
	<u>\$ 5,238,584</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 6. COMPENSATED ABSENCES

Compensated absences consist of annual leave, sick leave and comp time earned by Department employees. This time is considered to be a current obligation of the Department. Changes in compensated absences are recorded in the financial statements as follows:

Balance			Balance	Due
June 30, 2011	Additions	Deletions	June 30, 2012	Within One
			Year	
<u>\$ 7,182,660</u>	<u>6,370,306</u>	<u>(6,419,295)</u>	<u>7,133,671</u>	<u>6,419,297</u>

NOTE 7. DUE FROM AND DUE TO OTHER AGENCIES

Transactions that occur among state agencies under legislative mandate, exchange transactions, and other situations are accounted for in the financial statements which make up the due from and due to other state agencies. The Due From and Due To Other Agencies balances at June 30, 2012 consist of the following:

Due From Other State Agencies

DOH SHARE Fund No.	Agency	Other Agency's Fund	Amount
05900	State Board of Finance	34103	\$ 52,003
06100	Human Services Department	05200	2,389,774
06100	Human Services Department	97600	1,190,770
06100	Energy, Minerals & Resources	19902	64,604
06100	New Mexico Environment Department	06400	42,471
06100	State Engineer's Office	21400	25,637
06100	Department of Finance & Administration	76100	115,734
06100	State Investment Council	60100	104,726
06100	Division of Vocational Rehabilitation	50100	37
06100	Department of Transportation	10010	25,595
06100	Public Education Department	67202	5,401
21900	Department of Finance & Administration	02100	<u>213,810</u>
Total All Funds			<u>\$ 4,230,562</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 7. DUE FROM AND DUE TO OTHER AGENCIES (CONTINUED)

Due To Other State Agencies

DOH SHARE Fund No.	Agency	Other Agency's Fund	Amount
Governmental Funds			
05900	State Board of Finance	10590	\$ 5,252
06100	Human Services Department	97601	23,493,794
05900	General Services Department	89200	453,473
06100	Department of Finance & Administration	62000	5,846
06100	Energy, Minerals and Resources Dept.	19902	396
06100	General Services Department	80603	94
Total Governmental Funds			<u>23,958,855</u>
Agency Funds			
50200	Children, Youth and Families Department	91100	170,415
50200	Department of Finance and Administration	85300	225,708
Total Agency Funds			<u>396,123</u>
Due to State General Fund			
06100	Department of Finance & Administration	85300	20,898,306
05900	Department of Finance & Administration	85300	85,579
75600	Department of Finance & Administration	85300	20,000
20481	Department of Finance & Administration	85300	3
Total Due to State General Fund			<u>21,003,888</u>
Total All Funds			<u>\$ 45,127,118</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 8. INTERFUND ACTIVITY

Due To/From Other Funds at June 30, 2012 were the result of a cash overdraft of \$132,409 that was the result of the federal draw activity related to American Recovery and Reinvestment Act funds that are to be drawn subsequent to disbursement:

Due From	Due To	Amount
Fund 06100	Fund 89000	\$ 132,408

NOTE 9. OTHER LIABILITIES

Other liabilities consist of:

Civil Monetary Penalties – Held for Federal Programs	\$ 536,962
Sequoyah Fund held for other	3,200
Wire Deposits received not Department of Health	117,971
Facilities funds held for other	563,321
Miscellaneous	<u>324</u>
Total Other Liabilities	<u>\$ 1,221,778</u>

NOTE 10. DEFERRED REVENUE

The Department receives funds from the County Supported Medicaid Fund. These funds are held as deferred revenue and posted to revenue as expenditures are made:

County-supported Medicaid receipts	\$ 2,338,999
WIC Formula Rebate Receipts FY11	2,813,488
WIC Formula Rebate Receipts FY12	961,399
Kellogg CDC Foundation Grant	50,000
Newborn Blood Screening Activities	297,787
Fees for Screening Activities	<u>338,443</u>
	<u>\$ 6,800,116</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 11. OPERATING LEASES

The Department leases equipment and building office space under operating leases. Operating leases do not give rise to eventual property rights or lease obligations and, therefore, the effect of the lease obligations are not reflected in the Department's liabilities. Operating leases are subject to future appropriations and are cancellable by the Department at the end of the fiscal year. The Department has commitments for lease obligations for the following periods for the following amounts:

<u>Years Ending June 30:</u>	<u>Lease Amounts</u>
2013	\$ 3,763,017
2014	3,283,119
2015	2,941,375
2016	2,069,057
2017	1,174,146
2018 - 2022	2,059,279
2023 - 2027	2,345,248
2028 - 2031	<u>902,751</u>
Total	<u>\$ 18,537,992</u>

Rental expenditures for the fiscal year ended June 30, 2012 were \$5,605,423.

NOTE 12. CAPITAL LEASE

The Department entered into a lease-purchase agreement as a lessee with Grant County of New Mexico that was conditionally approved in February 19, 2008 by the New Mexico State Board of Finance. The lease provides that the Department will cause a healthcare facility (the Facility) to be acquired, constructed and equipped on unimproved land in the Village of Santa Clara, New Mexico (the Land), financed with proceeds from the County's Project Revenue Bonds (Ft. Bayard Project), Series 2008 (the Bonds). The Facility will be a replacement for the existing Fort Bayard Medical Center. Under the lease and subject to its terms and conditions, the Department will be obligated to make payments, among others, in the amounts and at the times necessary to allow for the timely payment of the principal and interest on the Bonds after the completion of the Facility. The agreement contains an option to purchase shall the Department decide to purchase the Facility during the term of the lease with the approval of the New Mexico State Board of Finance. The lease and the payments for the lease are to commence December 15, 2010.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 12. CAPITAL LEASE (CONTINUED)

The estimated value of the leased building at the inception of the leases, net of accumulated depreciation, amounted to \$56,296,297. The related remaining obligations under the capital leases which amounted to \$57,845,000 at June 30, 2012 are included in the capital assets and long-term liabilities balances in the government-wide financial statements.

The annual requirements to amortize the lease obligation at June 30, 2012 are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 1,130,000	2,919,444	4,049,444
2014	1,170,000	2,879,894	4,049,894
2015	1,215,000	2,836,019	4,051,019
2016	1,285,000	2,766,156	4,051,156
2017	1,355,000	2,692,269	4,047,269
2018-2022	7,890,000	12,355,506	20,245,844
2023-2027	10,215,000	10,025,844	20,240,844
2028-2032	13,040,000	7,214,256	20,254,256
2033-2037	16,690,000	3,548,750	20,238,750
2038	<u>3,855,000</u>	<u>192,750</u>	<u>4,047,750</u>
	\$ <u>57,845,000</u>	<u>47,430,888</u>	<u>105,275,888</u>

The annual Capital Lease amount paid for FY12 in FY12 was \$4,049,444 of which \$1,130,000 was for principal payment and \$2,919,444 which is due for payment one twelfth each month by the 15th of the month. There was also \$6,786,744 in lease payments that were due and paid on July 1, 2012 for FY11 lease payments to the Trustee for the Fort Bayard Medical Center – Grant County Bonds.

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Capital lease	\$ <u>60,000,000</u>	-	<u>2,155,000</u>	<u>57,845,000</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 13. RESERVED FUND BALANCE

Found in the fund balances section of the governmental funds balance sheet, the non-spendable fund balance of \$3,429,926 at June 30, 2012 was reserved for inventory and prepaid expenses.

NOTE 14. REVERSIONS

The following reversions are appropriations accrued during fiscal year 2012:

Laws of 2008, Ch. 80, Section 10, SS C, Item 6	\$ 65,585
Laws of 2011, Ch. 179, Section 4	<u>17,029,772</u>
	<u>\$ 17,095,357</u>

The following reversions are from appropriations accrued for fiscal years prior to FY 2012:

Prior FY reversion due to the State General Fund FY Payroll Account	\$ 3,563,981
Fund 59 reversion due to the State General Fund prior to FY 2011	85,579
Fund 61 reversions due to the State General Fund prior to FY 2011	74,410
Prior year reversions due to the State General Fund prior to FY 2011	<u>184,562</u>
Total prior year reversions	<u>3,908,532</u>
Total State General Fund reversions	<u>\$ 21,003,888</u>

Total following reversions are due to other State Agencies:

Laws of 2009, Chapter 125, Section 25. STB	\$ 4
Prior FY reversions due to other State Agencies	100,602
Laws of 2008, Chapter 80, Section 10, SS C, Item 6b. GOB	52,868
Laws of 2008, Chapter 80, Section 10, SS C, Item 6a. GOB	5,251
Laws of 2007, Chapter 42, Section 38	<u>300,000</u>
Total due to other State Agencies	<u>458,725</u>
Total current and prior year reversions	<u>\$ 21,462,613</u>

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 15. FUNDS HELD IN TRUST BY OTHERS

The Department is an income beneficiary of a portion of the State Permanent Fund designated specifically for the Behavioral Health Institute in Las Vegas, and receives 2/7th of the income from investments in the State Permanent Fund derived from the Charitable, Penal and Reformatory Act. The trust principal is managed by the State Investment Council and, because the funds are not controlled by the Department, they are not reflected in the accompanying financial statements.

The fair value of the Department's interest in the State Permanent Fund at June 30, 2012, and the income received for the year follow:

	Interest in Fund at <u>June 30, 2012</u>	Income Received <u>in 2012</u>
State Permanent Fund:		
Behavioral Health Institute	\$24,438,695	\$1,708,403
Charitable, Penal and Reformatory Act:		
Behavioral Health Institute	\$13,124,550	2,020,133
Los Lunas Community Programs	\$13,820,995	741,866

NOTE 16. RETIREMENT PLANS

Public Employees Retirement Association (PERA)

Plan Description

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employee's Retirement Association Act (Chapter 10, Article 11, NMSA 1978). The Public Employees' Retirement Association Act (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 16. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement Association (PERA) - Continued

Funding Policy

Plan members are required to contribute 10.67% of their gross salary. The Department is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$16,652,361, \$19,336,917 and \$21,549,157, respectively, which equal to the amount of the required contributions for each fiscal year.

Educational Retirement Board (ERB)

Plan Description

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of state public school districts, colleges, and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.5% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The Department has been required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012, the Department will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the Department will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11 NMSA 1978.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 16. RETIREMENT PLANS (CONTINUED)

Educational Retirement Board (ERB) - Continued

The requirements may be amended by acts of the legislature. The Department's contributions to ERB for the fiscal years ending June 30, 2012, 2011 and 2010 were \$27,289, \$43,470 and \$40,570, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 17. DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all state employees and those local government and school district employees whose employers have elected to participate in the plan. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are the property of the participant.

Employees of the Department are making contributions to the Deferred Compensation Plan. Neither the Office nor the State of New Mexico makes any contributions to the Deferred Compensation Plan.

All contributions withheld from participants by the Office have been paid to PERA who administers the plan.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 18. POST-EMPLOYMENT BENEFITS

State Retiree Health Care Plan (RHCA)

Plan Description

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer's contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 18. POST-EMPLOYMENT BENEFITS (CONTINUED)

State Retiree Health Care Plan (RHCA) - Continued

prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary.

In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Department's contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$2,250,115.34, \$2,205,979 and \$1,823,339, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 19. RISK MANAGEMENT

The Department is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, employer obligations and natural disasters for which the Department carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, Transportation Property and Bond Premium) with the State of New Mexico Risk Management Division (RMD) of the General Services Department. Insurance premiums are allocated to and paid by all budgeted activities within the general fund. During the fiscal year ended June 30, 2012, the insurance premiums paid not including employee health insurance premiums to the Risk Management Division were \$ 5,895,829.

NOTE 20. CONTINGENCIES

The Department, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the General Services Department of the State of New Mexico. The Office of Risk Management Division pays annual premiums for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State of New Mexico;
- Coverage to protect the State of New Mexico's property and assets; and
- Fringe benefit coverage for State of New Mexico employees.

In the case of civil actions or claims against the Department for financial damages, the Department's certificate of insurance with Risk Management does not cover civil rights claims for back wages but does cover civil rights claims for other compensatory damages.

Jackson v. Fort Stanton Hospital, et al., USDC No. CIV 87-0839 JP/LCS

In 1987 Protection and Advocacy (P&A) filed a civil rights class action lawsuit, Jackson v. Ft. Stanton Hospital and Training School, et. al., 757 F. Supp. 1243 (D.N.M. 1990) on behalf of 43 specific individuals and the class of residents residing at LLH&TS and Fort Stanton Hospital and Training School. The plaintiffs alleged both statutory (Rehab Act and ADA) and constitutional (14th Amendment due process) violations. The lawsuit was litigated in Federal District Court before Judge James A. Parker. Subsequent to judgment against defendants, there has been elaborate monitoring and oversight by plaintiff's counsel and Judge Parker. DOH is represented by outside counsel (appointed by Risk), but penalties, fines, fees, and other litigation expenses are paid by DOH.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 20. CONTINGENCIES

A Contempt Motion was filed by plaintiffs in July 2010 and an evidentiary hearing was held in the summer of 2011. In October of 2012, the Court found that while DOH had made significant progress in many areas and that many factors including; changing Administration, state budgetary concerns and aspirational language of prior orders all impacted the state's ability to complete all provisions necessary to disengage, the state was not yet in substantial compliance. The Court ordered that a Jackson Compliance Administrator be appointed and that the parties work to end the lawsuit in 18 months. The plaintiffs billed for almost 1.5 million dollars in costs and fees associated with the evidentiary hearing, but Defendants may challenge some aspects of that. Nonetheless those charges would be in addition to the regular billings in this case.

Plaintiffs and court experts (community monitor, and new Compliance Administrator, the order regarding the 706 expert is expected to be vacated), will be in place for a minimum of 18 more months, and the routine costs associated with this litigation will continue for at least that timeframe as well.

J.M. through her next friend John Foley and JE, through her next friend Maria Fellin, on their own behalf and on behalf of a class of all other similarly-situated persons v. DOH, Los Lunas Center for Persons With Developmental Disabilities Planning Council, et al., CV-07-604 RB/ACT

The plaintiff is a former resident of the Los Lunas Hospital and Training School (LLH&TS). This matter concerns the previous placement of persons with developmental disabilities from LLH&TS and Fort Stanton into substitute placements, allegedly without proper discharge planning, monitoring or services. DOH is represented by outside counsel (appointed by Risk), but penalties, fines, fees, and other litigation expenses are paid by DOH.

Order of Dismissal filed, but settlement agreement implementation continues. DOH is slated to complete settlement terms ending this litigation. If DOH can complete its obligations under the settlement terms, the litigation can be resolved by a final order. If DOH is unable/unwilling to carry out the remaining tasks required to fulfill its obligations, plaintiffs will enlist the arbitrator (Michael Gross, Esq.) to hold DOH accountable under terms of settlement and court order.

While DOH is in good position to exit litigation, it is still vulnerable if it fails to carry out settlement terms. A status report is due to plaintiffs in mid-January. Failure by any of the many DOH participants to complete their obligations could perpetuate this lawsuit, which already entails more than \$100,000 in costs and fees annually.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING BALANCE SHEET - BY FUND TYPE
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2012

	Special Revenue			
	County-supported Medicaid Fund 21900	Trauma System Fund 25700	Save our Children's Sight Fund 26100	Emergency Medical Services Fund 75600
ASSETS:				
Investment in State General Fund Investment Pool	\$ 2,301,820	1,078,860	196,719	729,245
Due from other state agencies	213,810	-	-	-
Due from other local governments	-	-	-	4,912
TOTAL ASSETS	\$ 2,515,630	1,078,860	196,719	734,157
LIABILITIES:				
Accounts payable	\$ 176,631	419,706	3,265	22,710
Accrued payroll	-	402	-	1,307
Due to State General Fund	-	-	-	20,000
Due to other State Agencies	-	-	-	-
Deferred revenues	2,338,999	-	-	-
Other liabilities	-	-	-	-
TOTAL LIABILITIES	2,515,630	420,108	3,265	44,017
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	-	658,752	193,454	690,140
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	-	658,752	193,454	690,140
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,515,630	1,078,860	196,719	734,157

Special Revenue

	Birthing Workforce Retention Fund 95800	Total Special Revenue Funds	Capital Projects Fund 05900	Capital Lease Bond Fund 20480	Total
\$	6,900	4,313,544	509,609	3	4,823,156
	-	213,810	52,003	-	265,813
	-	4,912	-	-	4,912
\$	6,900	4,532,266	561,612	3	5,093,881
\$	-	622,312	17,308	-	639,620
	-	1,709	-	-	1,709
	-	20,000	85,579	3	105,582
	-	-	458,725	-	458,725
	-	2,338,999	-	-	2,338,999
	-	-	-	-	-
	-	2,983,020	561,612	3	3,544,635
	-	-	-	-	-
	6,900	1,549,246	-	-	1,549,246
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	6,900	1,549,246	-	-	1,549,246
\$	6,900	4,532,266	561,612	3	5,093,881

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BY FUND TYPE -
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue			
	County-supported Medicaid Fund 21900	Trauma System Fund 25700	Save our Children's Sight Fund 26100	Emergency Medical Services Fund 75600
REVENUES:				
Fees, penalties, rentals and other	\$ 2	15,697	-	81,203
TOTAL REVENUES	2	15,697	-	81,203
EXPENDITURES:				
Current operating:				
Administration	-	4,084,124	-	-
Public Health	2,300,854	-	3,265	-
Epidemiology and response	-	-	-	3,196,165
Other health initiatives	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	2,300,854	4,084,124	3,265	3,196,165
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,300,852)	(4,068,427)	(3,265)	(3,114,962)
OTHER FINANCING SOURCES (USES):				
General fund appropriations	-	3,946,200	-	3,073,100
County-supported Medicaid	2,300,852	-	-	-
Severance Tax/GOB appropriation	-	-	-	-
Reversion - FY2012 - transfers out	-	-	-	-
Capital lease interest payment	-	-	-	-
Inter-agency transfers, net	-	-	36,210	-
TOTAL OTHER FINANCING SOURCES AND USES	2,300,852	3,946,200	36,210	3,073,100
NET CHANGE IN FUND BALANCES	-	(122,227)	32,945	(41,862)
FUND BALANCES, BEGINNING OF YEAR	-	780,979	160,509	732,002
FUND BALANCES, END OF YEAR	\$ -	658,752	193,454	690,140

Special Revenue				
Birthing Workforce Retention Fund 95800	Total Special Revenue Funds	Capital Projects Fund 05900	Capital Lease Bond Fund 20480	Total
\$ -	96,902	-	-	96,902
-	96,902	-	-	96,902
-	4,084,124	-	-	4,084,124
31,300	2,335,419	-	-	2,335,419
-	3,196,165	-	-	3,196,165
-	-	53,651	-	53,651
-	-	7,931	-	7,931
31,300	9,615,708	61,582	-	9,677,290
(31,300)	(9,518,806)	(61,582)	-	(9,580,388)
31,300	7,050,600	-	6,603,450	13,654,050
-	2,300,852	-	-	2,300,852
-	-	83,095	-	83,095
-	-	(296,201)	(3)	(296,204)
-	-	-	(6,603,447)	(6,603,447)
-	36,210	-	-	36,210
31,300	9,387,662	(213,106)	-	9,174,556
-	(131,144)	(274,688)	-	(405,832)
6,900	1,680,390	274,688	-	1,955,078
\$ 6,900	1,549,246	-	-	1,549,246

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
OTHER NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

COUNTY-SUPPORTED MEDICAID FUND 21900

	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	-	-	-	-
Other state funds	-	-	2	2
Inter-agency transfers	2,800,000	2,800,000	2,300,852	(499,148)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 2,800,000	2,800,000	2,300,854	(499,146)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 69,500	69,500	68,898	602
Contractual services	2,730,500	2,730,500	2,231,956	498,544
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 2,800,000	2,800,000	2,300,854	499,146
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				-
NET CHANGE IN FUND BALANCE			\$ -	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
OTHER NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	TRAUMA SYSTEM FUND 25700			
	<u>Budgeted Amounts</u>		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	3,946,200	3,946,200	3,946,200	-
Other state funds	-	-	9,618	9,618
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	780,979	128,307	(652,672)
TOTAL REVENUES	\$ 3,946,200	4,727,179	4,084,125	(643,054)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 146,800	146,800	108,844	37,956
Contractual services	50,600	96,748	94,952	1,796
Other	3,748,800	4,483,631	3,880,329	603,302
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 3,946,200	4,727,179	4,084,125	643,054
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
OTHER NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

SAVE OUR CHILDREN'S SIGHT FUND 26100				
	<u>Budgeted Amounts</u>		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original			
REVENUES:				
Federal funds	\$	-	-	-
General fund		-	-	-
Other state funds		-	-	-
Inter-agency transfers		-	36,210	36,210
Budgeted fund balance		-	50,000	(50,000)
TOTAL REVENUES	\$	-	50,000	36,210
				(13,790)
EXPENDITURES - current:				
Personal services and employee benefits	\$	-	-	-
Contractual services		-	50,000	3,265
Other		-	-	46,735
Other financing uses		-	-	-
TOTAL EXPENDITURES	\$	-	50,000	3,265
				46,735
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>32,945</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 32,945</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
OTHER NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

EMERGENCY MEDICAL SERVICES FUND 75600				
	<u>Budgeted Amounts</u>		<u>Amounts (Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	3,073,100	3,073,100	3,073,100	-
Other state funds	-	-	81,203	81,203
Inter-agency transfers	-	-	-	-
Budgeted fund balance	219,700	219,700	41,842	(177,858)
TOTAL REVENUES	\$ 3,292,800	3,292,800	3,196,145	(96,655)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 184,500	184,500	132,277	52,223
Contractual services	82,000	82,000	58,617	23,383
Other	3,026,300	3,026,300	3,005,251	21,049
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 3,292,800	3,292,800	3,196,145	96,655
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			(41,842)	
REVERSIONS NOT BUDGETED			-	
NET CHANGE IN FUND BALANCE			<u>\$ (41,842)</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
OTHER NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	BIRTHING WORKFORCE RETENTIONS FUND 95800			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	31,300	31,300	31,300	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 31,300	31,300	31,300	-
EXPENDITURES - current:				
Personal services and employee benefits	\$ -	-	-	-
Contractual services	31,300	31,300	31,300	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 33,800	33,800	31,300	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
CAPITAL PROJECTS FUND -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

CAPITAL PROJECTS FUND 05900

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Severance tax / GOB bond proceeds	\$ 249,784	249,784	83,095	(166,689)
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	300,000	300,000	-	(300,000)
TOTAL REVENUES	<u>\$ 549,784</u>	<u>549,784</u>	<u>83,095</u>	<u>(466,689)</u>
EXPENDITURES - current & capital outlay:				
Personal services and employee benefits	\$ 249,784	241,853	53,651	188,202
Contractual services	-	7,931	7,931	-
Other	-	-	-	-
Other financing uses	300,000	300,000	-	300,000
TOTAL EXPENDITURES	<u>\$ 549,784</u>	<u>549,784</u>	<u>61,582</u>	<u>488,202</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			21,513	
REVERSIONS NOT BUDGETED			(296,201)	
NET CHANGE IN FUND BALANCE			<u>\$ (274,688)</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	CAPITAL LEASE FUND 2048			
	<u>Budgeted Amounts</u>		Actual Amounts	Variance From Final Budget
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	-	6,603,450	6,603,450	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	6,603,450	6,603,450	-
EXPENDITURES - current:				
Personal services and employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	6,603,450	6,603,447	3
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	33,800	6,603,447	3
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>3</u>	
REVERSIONS (NOT BUDGETED)			<u>3</u>	
NET CHANGE IN FUND BALANCE			<u><u>\$ -</u></u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	PROGRAM P001 - ADMINISTRATION			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 4,557,900	6,500,121	6,226,398	(273,723)
General fund	11,718,800	11,718,800	11,718,800	-
Other state funds	139,100	87,487	58,638	(28,849)
Inter-agency transfers	1,478,400	640,645	602,839	(37,806)
Budgeted fund balance	-	780,979	128,309	(652,670)
TOTAL REVENUES	\$ 17,894,200	19,728,032	18,734,984	(993,048)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 10,082,900	11,144,909	8,980,103	2,164,806
Contractual services	2,856,800	2,932,948	2,873,103	59,845
Other	4,954,500	5,650,175	5,100,744	549,431
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 17,894,200	19,728,032	16,953,950	2,774,082
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>1,781,034</u>	
REVERSIONS (NOT BUDGETED)			1,781,034	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	PROGRAM P002 - PUBLIC HEALTH			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 80,207,546	82,726,137	70,045,277	(12,680,860)
General fund	66,536,000	66,036,000	66,036,000	-
Other state funds	29,481,100	29,821,100	25,247,059	(4,574,041)
Inter-agency transfers	13,293,700	13,427,913	11,714,202	(1,713,711)
Budgeted Fund Balance	-	50,000	-	(50,000)
TOTAL REVENUES	\$ 189,518,346	192,061,150	173,042,538	(19,018,612)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 55,283,707	55,193,043	48,210,423	6,982,620
Contractual services	39,818,855	43,691,632	38,496,747	5,194,885
Other	93,837,785	92,398,475	80,556,372	11,842,103
Other financing uses	578,000	778,000	710,707	67,293
TOTAL EXPENDITURES	\$ 189,518,347	192,061,150	167,974,249	24,086,901
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>5,068,289</u>	
REVERSIONS (NOT BUDGETED)			5,038,944	
NET CHANGE IN FUND BALANCE			<u>\$ 29,345</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	PROGRAM P003 - EPIDEMIOLOGY AND RESPONSE			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 16,706,732	17,729,586	12,378,641	(5,350,945)
General fund	8,051,600	8,051,600	8,051,600	-
Other state funds	1,314,300	1,314,300	886,327	(427,973)
Inter-agency transfers	273,500	273,500	369,807	96,307
Budgeted fund balance	219,700	219,700	41,842	(177,858)
TOTAL REVENUES	\$ 26,565,832	27,588,686	21,728,217	(5,860,469)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 13,332,837	13,573,179	10,107,023	3,466,156
Contractual services	5,289,775	7,494,064	5,089,013	2,405,051
Other	7,943,220	6,521,443	6,121,367	400,076
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 26,565,832	27,588,686	21,317,403	6,271,283
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>410,814</u>	
REVERSIONS (NOT BUDGETED)			41,842	
NET CHANGE IN FUND BALANCE			<u>\$ 368,972</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	PROGRAM P004 - LABORATORY SERVICES			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 1,709,300	2,567,641	2,396,411	(171,230)
General fund	6,445,100	6,945,100	6,945,100	-
Other state funds	2,977,000	2,977,000	2,476,789	(500,211)
Inter-agency transfers	-	-	-	-
TOTAL REVENUES	\$ 11,131,400	12,489,741	11,818,300	(671,441)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 7,054,400	7,320,902	7,238,569	82,333
Contractual services	219,700	309,758	289,399	20,359
Other	3,857,300	4,859,081	4,192,250	666,831
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 11,131,400	12,489,741	11,720,218	769,523
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>98,082</u>	
REVERSIONS			<u>98,082</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	PROGRAM P006 -FACILITIES MANAGEMENT			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	62,477,000	62,477,000	62,477,000	-
Other state funds	76,178,800	76,178,800	74,699,984	(1,478,816)
Inter-agency transfers	713,800	713,800	728,595	14,795
TOTAL REVENUES	\$ 139,369,600	139,369,600	137,905,579	(1,464,021)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 108,849,000	105,430,550	99,555,229	5,875,321
Contractual services	7,780,700	8,645,700	8,063,869	581,831
Other	16,136,450	18,689,900	16,911,532	1,778,368
Capital Lease Interest Payments	2,155,000	2,155,000	2,155,000	-
Capital Lease Principal Payments	4,448,450	4,448,450	4,448,447	3
TOTAL EXPENDITURES	\$ 139,369,600	139,369,600	131,134,077	8,235,523
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>6,771,502</u>	
REVERSIONS (NOT BUDGETED)			<u>1,741,608</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 5,029,894</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

PROGRAM P007 - DEVELOPMENT DISABILITIES SUPPORT SERVICES

	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 5,807,063	6,687,363	6,183,451	(503,912)
General fund	129,085,600	129,585,600	129,585,600	-
Other state funds	1,400,000	1,400,000	3,752,443	2,352,443
Inter-agency transfers	7,704,000	7,704,000	6,474,113	(1,229,887)
TOTAL REVENUES	\$ 143,996,663	145,376,963	145,995,607	618,644
EXPENDITURES - current:				
Personal services and employee benefits	\$ 10,009,200	10,234,200	9,574,035	660,165
Contractual services	19,221,204	20,226,204	18,858,834	1,367,370
Other	21,844,759	21,995,059	21,141,159	853,900
Other financing uses	92,921,500	92,921,500	89,631,404	3,290,096
TOTAL EXPENDITURES	\$ 143,996,663	145,376,963	139,205,432	6,171,531
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>6,790,175</u>	
REVERSIONS (NOT BUDGETED)			6,790,175	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

PROGRAM P008 - HEALTH, CERTIFICATION, LICENSING AND
OVERSIGHT

	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 1,929,600	2,488,600	2,733,638	245,038
General fund	4,393,000	4,393,000	4,393,000	-
Other state funds	2,290,900	2,503,836	2,513,791	9,955
Inter-agency transfers	3,427,700	3,427,700	2,775,082	(652,618)
TOTAL REVENUES	\$ 12,041,200	12,813,136	12,415,511	(397,625)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 9,154,600	8,765,600	7,994,723	770,877
Contractual services	332,000	632,000	152,338	479,662
Other	2,554,600	3,415,536	3,203,464	212,072
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 12,041,200	12,813,136	11,350,525	1,462,611
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>1,064,986</u>	
REVERSIONS (NOT BUDGETED)			1,064,986	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
COMBINING GENERAL FUND BY PROGRAM
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2012

	Special Appropriations			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	-	500,000	500,000	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted Fund Balance	-	-	-	-
TOTAL REVENUES	\$ -	500,000	500,000	-
EXPENDITURES - current:				
Personal services and employee benefits	\$ -	-	-	-
Contractual services	-	500,000	500,000	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	500,000	500,000	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

This special appropriation is included in Program 7 Budget and Actual (Modified Accrual Budgetary GAAP Basis) as well.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS
As of June 30, 2012

Schedule 1

Account Title	Depository	Bank Balance	Reconciling Items	Book Amount
Children's Medical Services Bank Accounts (checking accounts):				
Alamogordo	First National Bank of Alamogordo	\$ 600	\$ -	\$ 600
Artesia	Wells Fargo Bank	375	-	375
Carlsbad	Carlsbad National Bank	800	-	800
Clovis	NM Bank & Trust - Clovis	600	-	600
Deming	Wells Fargo Bank	1,000	-	1,000
Dona Ana County	Wells Fargo Bank	1,150	-	1,150
Hobbs	Wells Fargo Bank	802	(2)	800
Las Cruces	Wells Fargo Bank	700	-	700
Rio Arriba	Valley National Bank, Espanola	500	-	500
Roswell	Wells Fargo Bank	1,030	(30)	1,000
San Miguel	Southwest Capital Bank	581	(81)	500
Santa Fe	Wells Fargo Bank	486	14	500
Silver City	Wells Fargo Bank	600	-	600
Sunland	Wells Fargo Bank	600	-	600
Taos	US Bank	400	-	400
Tucumcari	Wells Fargo Bank	600	-	600
Total Children's Medical Services		<u>10,824</u>	<u>(98)</u>	<u>10,725</u>
The Title X/Family Planning Depository Clearing (checking accounts):				
Alamogordo	Wells Fargo Bank	449	-	449
Anthony/Chaparral	First Security/Wells Fargo Bank	211	-	211
Artesia	First National Bank of Artesia	182	-	182
Carlsbad	Carlsbad National Bank	397	-	397
Clayton	Farmers' and Stockmen's Bank, Clayton	100	-	100
Clovis	Wells Fargo Bank	741	-	741
Espanola	Community Bank - Santa Fe	100	-	100
Estancia	Wells Fargo Bank	100	-	100
Farmington	Bank of America	86	-	86
Ft. Sumner	Citizens Bank of Clovis, Ft. Sumner	100	-	100
Gallup	Pinnacle Bank	100	-	100
Grants	Grants State Bank	150	-	150
Hobbs	Lea County State Bank	688	-	688
Las Cruces	Wells Fargo Bank	655	-	655
Las Vegas	Southwest Capital Bank	100	-	100
Lordsburg	Western Bank, Lordsburg	100	-	100
Los Alamos	Los Alamos National Bank	100	-	100
Los Lunas	Wells Fargo Bank	213	-	213
Lovington	Lea County State Bank	90	-	90
Portales	Portales National Bank	1,256	-	1,256
Raton	International State Bank, Raton	272	-	272
Roswell	Wells Fargo Bank	585	-	585
Ruidoso	State National Bank	209	-	209
SE Heights/NE Valley	Wells Fargo Bank	275	-	275
Silver City	Wells Fargo Bank	100	-	100
Sunland Park	Wells Fargo Bank	100	-	100
T or C	Bank of the Southwest, T or C	196	-	196
Taos	US Bank	268	-	268
Tucumcari	Wells Fargo Bank	477	5	482
Total Title X/Family Planning		<u>\$ 8,400</u>	<u>\$ 5</u>	<u>\$ 8,405</u>
District Health Office Totals		<u>\$ 19,223</u>	<u>\$ (93)</u>	<u>\$ 19,130</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS - Continued
As of June 30, 2012

Schedule 1 - Continued

Account Title	Depository	Bank Balance	Reconciling Items	Book Amount
General Fund Bank Accounts (checking accounts):				
NMBHI-Revolving	Community 1st Bank	\$ 724,502	\$ -	\$ 724,502
FBMC	Bank of America	-	-	-
Sequoyah ATC	Bank of America	-	-	-
Turquoise Lodge	Bank of the West	387	-	387
NMSVH	Bank of the Southwest, T or C	8,640	(500)	8,140
Total General Fund Banks		<u>733,528</u>	<u>(500)</u>	<u>733,028</u>
Total General Fund, including District Health Offices		<u>\$ 752,752</u>	<u>\$ (593)</u>	<u>\$ 752,158</u>
General Fund - State Treasurer (with SHARE fund numbers):				
Capital Project - 059	State Treasurer	509,609	-	509,609
Operating Fund - 061	State Treasurer	53,557,444	(1,146,064)	52,411,380
FBMC Lease - 204	State Treasurer	3	-	3
CMS Fund - 219	State Treasurer	2,301,820	-	2,301,820
Trauma Fund - 257	State Treasurer	1,072,782	6,078	1,078,860
Save Our Children - 261	State Treasurer	196,719	-	196,719
EMS - 756	State Treasurer	729,245	-	729,245
ARRA - 890	State Treasurer	(1,146,064)	1,146,064	-
Birthing Workforce - 958	State Treasurer	6,900	-	6,900
Total General Fund - State Treasurer		<u>57,228,459</u>	<u>6,078</u>	<u>57,234,536</u>
Total General Fund		<u>\$ 57,981,211</u>	<u>\$ 5,484</u>	<u>\$ 57,986,695</u>
Petty Cash Accounts by Region (checking accounts):				
DOH - Bureau/Programs		\$ 1,797	\$ 153	\$ 1,950
DOH - Facilities		2,538	1,327	3,865
Region I Offices		685	140	825
Region II Offices		777	99	925
Region III Offices		526	-	525
Region IV Offices		1,325	-	1,575
Region V Offices		2,447	78	2,625
Other Petty Cash Accounts		1,190	(25)	1,165
Total Petty Cash Accounts by Region		<u>\$ 11,284</u>	<u>\$ 1,773</u>	<u>\$ 13,455</u>
Total Department of Health Interest in SGF Investment Pool, Cash on hand and in Bank Accounts				<u><u>\$ 58,000,150</u></u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS - Continued
As of June 30, 2012

Schedule 1 - Continued

<u>Account Title</u>	<u>Depository</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Book Amount</u>
Trust and Agency Funds - Banks (checking accounts):				
NMBHI - Pt. Burial	Southwest Capital Bank	\$ 49,299	-	\$ 49,299
NMBHI - Canteens	Southwest Capital Bank	71,842	-	71,842
NMBHI - Pt. Demand (Trust)	Southwest Capital Bank	355,624	-	355,624
NMBHI-Foster Grandparent	Southwest Capital Bank	16,017	-	16,017
FBMC - Pt. Burial	Bank of America - Silver City	17,618	-	17,618
FBMC - Pt. Demand (Trust)	Bank of America - Silver City	214,297	-	214,297
FBMC - Special	Bank of America - Silver City	2,613	-	2,613
LLCP - SSA Beneficiaries	Wells Fargo Bank of NM - Los Lunas	28,168	-	28,168
LLCP - Managed Care	Wells Fargo Bank of NM - Los Lunas	9,566	-	9,566
LLCP - Pt. Demand (Trust)	Wells Fargo Bank of NM - Los Lunas	167	-	167
NMSVH - Pt. Burial	Bank of the Southwest, T or C	20,804	-	20,804
NMSVH - Canteens	Bank of the Southwest, T or C	47,424	-	47,424
NMSVH - Pt. Demand (Trust)	Bank of the Southwest, T or C	132,031	-	132,031
Sequoyah - Pt. Demand (Trust)	Bank of America - Silver City	2,705	-	2,706
		<u>968,174</u>	<u>-</u>	<u>968,175</u>
Vital Statistics Depository Clearing (checking accounts):				
Alamogordo	First National Bank of Alamogordo	910	-	910
Albuquerque	Wells Fargo Bank	17,838	-	17,838
Carlsbad	Carlsbad National Bank	560	-	560
Clayton	Farmers & Stockmens	190	-	190
Clovis	Wells Fargo Bank	2,850	-	2,850
Deming	Wells Fargo Bank	900	-	900
Farmington	Bank of America	3,590	-	3,590
Gallup	Bank of Colorado - Pinnacle Bank	1,540	-	1,540
Hobbs	Lea County State Bank	1,790	-	1,790
Las Cruces	First Security/Wells Fargo Bank	5,660	-	5,660
Las Vegas	First National Bank of Las Vegas	100	-	100
Lovington	Lea County State Bank	280	-	280
Raton	International State Bank, Raton	310	-	310
Roswell	Wells Fargo Bank	3,490	-	3,490
Santa Rosa	Wells Fargo Bank	470	-	470
Silver City	Wells Fargo Bank	1,000	-	1,000
Socorro	First State Bank, Socorro	290	-	290
Taos	US Bank	92	8	100
		<u>\$ 41,860</u>	<u>\$ 8</u>	<u>\$ 41,868</u>
Birth & Death - 502	State Treasurer	\$ 354,380	\$ -	\$ 354,380
Total Trust and Agency Funds - Banks		<u>\$ 1,364,414</u>	<u>\$ 8</u>	<u>\$ 1,364,423</u>
Department Total - all funds including Agency Funds and Petty Cash		<u>\$ 59,356,909</u>	<u>\$ 7,264</u>	<u>\$ 59,364,572</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF PLEDGED COLLATERAL
As of June 30, 2012

Schedule 2

	Community 1st Bank	Southwest Capital Bank	Bank of America	Bank of the Southwest, T or C	Other Banks	Accounts at State Treasurer	Total
Total amount of deposit	\$ 724,502	493,463	240,909	209,095	94,231	57,588,916	59,351,116
Less FDIC	(250,000)	(250,000)	(234,529)	(209,095)	(94,230)	-	(1,037,854)
Total uninsured public money	474,502	243,463	6,380	-	1	57,588,916	58,313,262
50% collateral requirement	237,251	121,732	3,190	-	1	28,794,458	29,156,631
State Agency Collateral Listing:			A			B	A&B
Bonds:							
1 GNMA II Pool, CUSIP#3622CU46 GNMA II Pool#008420,				6,898			6,898
1 CUSIP#36202KK95 GNMA II Pool#080470,				62,340			62,340
1 CUSIP#36225CQY5 GNMA II Pool#080509,				20,235			20,235
1 CUSIP#36225CR73 Farmington NM SD#5,				34,178			34,178
1 CUSIP#311441JF7				150,000			150,000
US Treasury Notes CUSIP							
1 #3313XTAV8, maturity 03/6/13	-	750,000	-	-	-	-	750,000
Federal Home Loan Bank, LOC#1400000071, 7/9/12	1,000,000	-	-	-	-	-	1,000,000
Total pledged	1,000,000	750,000	-	273,650	-	-	2,023,650
Over (under) pledged	\$ 762,749	628,269	A	273,650	-	B	1,664,668

A: Collateral for the balance is provided by the collateral pledged to the New Mexico State Treasurer to secure state deposits in accordance with 6-10-17 NMSA 1978. Detail of pledged collateral to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office of Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

B: This amount is held at the Office of the State Treasurer and is detailed in the report of the Office of the State Treasurer, whose audit is covered by a separate report. Detail specific for the collateral is commingled by the Office of the State Treasurer, and they monitor the adequacy of the funds pledged for collateral to ensure they are fully covered as required by the Laws of the State of New Mexico and related statutes.

1. Custodian: Federal Home Loan Bank, Dallas: Collateral is in the name of New Mexico State Treasurer

The deposits are fully secured since they are in the name of the New Mexico State Treasurer and are held at a separate depository institution that is not affiliated with the depository institution.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF TRANSFERS
Year Ended June 30, 2012

Schedule 3

Interagency transfers as of June 30, 2012 are as follows:

Inter-Agency Transfers Out

DOH Fund	Agency	Other Agency's Fund	Description	Amount
06100	Human Services Dept - 63000	97600	DD Waiver	\$ 89,631,404
06100	Human Services Dept - 63000	97600	Aids Waiver	229,107
06100	Human Services Dept - 63000	97600	RPHCA	481,600
06100	Dept of Fin & Admin - 34101	85300	Vital Records - DFA	225,708
06100	Children's Youth & Family - 69000	91100	Vital Records - CYFD	170,415
06100	Dept of Fin & Admin - 34101	85300	DFA - Reversions (FY 11)	17,024,974
06100	Dept of Fin & Admin - 34100	10820	DFA - Reversions - DD Waiver	2,266,825
				<u>\$ 110,030,033</u>

Inter-Agency Transfers In

DOH Fund	Agency	Other Agency's Fund	Description	Amount
06100	Dept of Fin & Admin - 34100	85300	General Fund Appropriations	\$ 275,553,050
20480	Dept of Fin & Admin - 34100	85300	General Fund Appropriations	6,603,450
25700	Dept of Fin & Admin - 34100	85300	General Fund Appropriations	3,946,200
75600	Dept of Fin & Admin - 34100	85300	General Fund Appropriations	3,073,100
95800	Dept of Fin & Admin - 34100	85300	General Fund Appropriations	31,300
05900	Dept of Fin & Admin - 34103	10500	Severance Tax/Gen Oblig. Bonds	585,749
06100	Dept of Fin & Admin - 34100	69700	Tobacco Settlement Program	6,987,124
06100	Human Services Department	05200	Medicaid Admin	380,404
06100	Human Services Department	05200	School Based Health Centers	357,444
06100	Human Services Department	97600	Children Medical Services	194,809
06100	Human Services Department	05200	Substance Abuse	736,208
06100	Dept of Fin & Admin - 34100	02100	County Supported Medicaid	2,300,852
06100	Human Services Department	97600	Medicaid	7,303,521
06100	Human Services Department	05200	Medicaid Infrastructure Grant	201,583
06100	Human Services Department	05200	Medicaid HIV/AIDS	62,441
06100	Human Services Department	05200	Families First/Medicaid	1,652,904
06100	Environment Department	06400	WIPP	107,807
06100	Human Services Department	05200	Med/HIV/AIDS	2,346,930
				<u>\$ 312,424,876</u>

Note: These amounts include transactions that are considered quasi external transactions in the accompanying financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF JOINT POWERS AGREEMENT
Year Ended June 30, 2012

Schedule 4

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY12	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures.
99.665.6800.0020	Department of Health (DOH)	To Support and Coordinate Services to Children under 4 who have a vision loss and their families.	7/1/2004	Ongoing	60,000	60,000	-	DOH, SVH	SVH	SVH
JPA 95-29	School for the Visually Handicapped (NMSVH)									
	Human Services Department (HSD) Department of Health (DOH)	For Service Coordination, Early Intervention Development Services, Early Intervention Therapy Services.	6/1/1995	Ongoing	11,448,203	11,448,203	6,814,589	HSD, DOH	Not Stated	HS, DOH
04.665.4200.0185	Department of Health (DOH) Sandoval County (SC)	For Sandoval County - DOH will provide health services to Sandoval Country Residents.	9/8/2003	Ongoing	700,010	300,010	-	SCC	Not Stated	SCC, DOH
04.665.4200.0504	Department of Health (DOH) San Miguel County (SMC)	For San Miguel County - DOH will provide health services to San Miguel County Residents	6/1/2004	Ongoing	50,000	50,000	-	SMC	Not Stated	DOH, SMC
04.665.1100.0019	Department of Health (DOH) Department of Transportation (DOT)	For Coordinated Transportation Services in Valencia County	6/17/2004	Ongoing	5,000	5,000	-	DOT	DOT	DOT
01.665.6800.0260	Department of Health (DOH) New Mexico School for the Deaf (SFD)	To support and coordinate services to children, and their families, under four who have hearing losses.	7/2/2005	Ongoing	50,760	50,760	-	DOH/SFD	SFD	SFD
05.665.0100.0014	Department of Health (DOH) Lincoln County (LC)	For Lincoln County - DOH will provide health services to Lincoln County Residents	9/27/2004	Ongoing	20,000	20,000	-	DOH, LC	DOH, LC	DOH, LC
05.665.0100.0008	Department of Health (DOH) Socorro County (SC)	For Socorro Count - DOH will provide health services to Socorro County Residents	9/21/2004	Ongoing	20,000	20,000	-	DOH, SC	DOH, SC	DOH, SC
04.665.4200.0311A1	Department of Health (DOH) Village of Hatch	For the Village of Hatch - DOH will provide health services to Village of Hatch County Residents	11/17/2003	Ongoing	429,800	429,800	-	DOH, VH	DOH, VH	DOH, VH
0630.8114.03.37 (IPA 03-37)	Human Services Department Department of Health (DOH)	To designate the Administrative, fiscal and programmatic responsibilities for the operations of the Home and Community Based Waiver Program	10/14/2003	- AIDS WAIVER MEDICAID WAIVER	- 96,400 69,075,593	- 96,400 69,075,593	- 96,400	DOH, HSD	HSD	DOH, HSD
06.665.0100.0029	Department of Health (DOH) State Agency on Aging (SAA) (Aging & Long Term Services Dept. (ALTSDD))	To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV and AID	5/3/2006	Ongoing	50,000	50,000		AA, DOH	AA, DOH	AA, DOH

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY12	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures.
JPA 82-14	New Mexico Human Services Department New Mexico Department of Health	For Medicare and Medicaid Programs; Preadmission Screening and Annual Resident Review. ** HSD SENDS MEDICAID MONEY TO DOH, NO TRANSFER FROM DOH TO HSD	5/27/1994	Ongoing	-	-	-	HSD	Not Stated	DOH, HSD
08.630.8000.0001	New Mexico Human Services Department New Mexico Department of Health	To provide for DOG and HSD to jointly exercise their respective duties and obligations to women, children and families under Titles V, XIX and XXI of the Social Security Act.	6/25/2007	6/30/2012	561,048	-	-	HSD, DOH	HSD	HSD, DOH
96/665.42.344(#96-22)	New Mexico Human Services Department New Mexico Department of Health	To establish responsibilities for certification of health care facilities and the nurse aide training and competency evaluation program as required under the Medicaid Program.	2/8/1996	Ongoing	-	-	-	HSD, DOH	Not Stated	HSD, DOH
11 665 000001	New Mexico Human Services Department New Mexico Department of Public Safety	Enforce the New Mexico State tobacco products and liquor control act and educate merchants in New Mexico in an effort to decrease youth access.	10/4/2010	6/30/2011	150,000	150,000	150,000	Not Stated	Not Stated	Not Stated
11-630-8000-0003	New Mexico Department of Health (DOH) New Mexico Department of Human Services (HSD)	Responsible for the administrative, fiscal and programmatic aspects of New Mexico's Home Community based Waiver programs	7/8/2010	6/30/2014	83,111,511	83,111,511	83,111,511	Not Stated	Not Stated	Not Stated
11-630-8000-0008		Medicaid reimbursements for services provided by DOH at its facilities, clinics, and public health offices and laboratories.	8/4/2010	6/30/2015	-	-	-	Not Stated	Not Stated	Not Stated
05/665/0200/0008	New Mexico Department of Health (DOH) New Mexico Department of Human Services (HSD)	Provide funds to the Medical Assistance Division (MAD) to support Federally Qualified Health Centers	4/25/2005	Ongoing	2,000,000	500,000	-	Not Stated	Not Stated	Not Stated
11-665-0200-0001	New Mexico Department of Health (DOH) New Mexico Department of Human Services (HSD)	Coordination between DOH and HSD to gather data related to compulsive gambling	7/26/2011	Ongoing	-	-	-	Not Stated	Not Stated	Not Stated

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF SPECIAL APPROPRIATIONS
Year Ended June 30, 2012

Schedule 5

Description	Fund	Department	Reversion Date	Appropriation	Art in Public Places	Prior Year Expenditures	Current Year Expenditures	Current Year Reversions/Transfers	Balance as of June 30, 2012
Special Appropriation Laws of 2011, Ch. 179, Section 5 - Family, Infant and Toddlers Program	061	Z10520	6/30/2011	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ -
Capital Projects Fund Laws of 2007, Ch. 42, Section 38 for facilities patient health and safety improvement (Alzheimer's Veterans).	059	A073885	6/30/2012	300,000	-	-	-	300,000	300,000
Laws of 2008, Ch. 80, Section 10, SS C, Item 6a. GOB Public Health Renovation - Roosevelt, Otero & Dona Ana Counties	059	A084941	6/30/2012	2,328,000	23,280	2,087,211	49,311	-	168,198
Laws of 2008, Ch. 80, Section 10, item 6b. GOB Rio Arriba CO - Regional Health Facility	059	A084942	6/30/2012	2,000,000	20,000	1,955,661	4,341	25,249	19,998
Laws of 2009, Ch. 125, Section 25, STB DOH Immunization Equipment	059	A093125	6/30/2013	100,000	-	92,064	7,932	-	4
				<u>\$ 5,228,000</u>	<u>\$ 43,280</u>	<u>\$ 4,134,936</u>	<u>\$ 561,584</u>	<u>\$ 325,249</u>	<u>\$ 488,200</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2012

Schedule 6

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<u>Fund 50200 - Birth & Death Certificate Fund</u>				
ASSETS:				
Investment in State General Fund				
Investment Pool	\$ 292,451	\$ 1,293,762	\$ (1,231,833)	354,380
Cash	44,352	499,631	(502,115)	41,868
TOTAL ASSETS	\$ 336,803	1,793,393	(1,733,948)	396,248
LIABILITIES:				
Vouchers Payable	\$ -	-	125	125
Due to other state agencies	336,803	1,793,393	(1,734,073)	396,123
TOTAL LIABILITIES	\$ 336,803	1,793,393	(1,733,948)	396,248
<u>Fund 51000 - Patients' Trust Fund</u>				
ASSETS:				
Cash	\$ 902,723	\$ 5,848,345	\$ (5,782,893)	968,175
TOTAL ASSETS	\$ 902,723	5,848,345	(5,782,893)	968,175
LIABILITIES:				
Funds held for others	\$ 902,723	\$ 5,848,345	\$ (5,782,893)	968,175
TOTAL LIABILITIES	\$ 902,723	5,848,345	(5,782,893)	968,175

SINGLE AUDIT

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Pass-Through Number	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS:			
U.S. DEPARTMENT OF AGRICULTURE			
WIC Special Supplemental Nutrition Program for Women Infants and Children:			
Food and Administration		10.557	\$ 42,824,770
Breastfeeding Peer Counseling		10.557	321,313
Rebate Program		10.557	<u>8,841,282</u>
			51,987,364
WIC Commodity Supplemental Food Program:			
Commodity Supplemental Food Program		10.565	1,153,579
WIC Farmer's Market Nutrition Program:			
Farmer's Market Food Program		10.572	189,342
WIC Senior Farmer's Market Nutrition Program:			
Senior Farmer's Market Food Program		10.576	270,315
WIC Grants to States			
ARRA - Electronic Benefits Transfer Grant		10.578	156,744
ARRA - Management Information Systems		10.578	<u>211,214</u>
			367,959
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>53,968,560</u>
U. S. DEPARTMENT OF TRANSPORTATION:			
Flow-through Department of Transportation			
Occupant Protection:			
Traffic Safety Bureau - Occupant Protector Survey	OPS 11-OP-02-P02	20.602	<u>15,683</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			15,683
U. S. ENVIRONMENTAL PROTECTION AGENCY:			
Exchange Network		66.608	<u>55,105</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			55,105

See Notes to Schedule of Expenditures and Federal Awards.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Pass-Through Number	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - Continued			
U.S. DEPARTMENT OF ENERGY:			
Passthrough New Mexico Energy Minerals, and Natural Resource Department			
Transport of Transuranic Wastes to the Waste Isolations			
Pilot Plant:			
WIPP Emergency Response Enhancement	DE-FC29-88AL53813	81.106	\$ 106,533
TOTAL U.S. DEPARTMENT OF ENERGY			106,533
U.S. DEPARTMENT OF EDUCATION:			
Early Intervention Services (IDEA) Cluster:			
Special Education - Grants for Infants and Families			
Infants and Toddlers with Disabilities		84.181	3,402,956
ARRA-Infants and Toddlers with Disabilities		84.393	3,210,628
TOTAL U.S. DEPARTMENT OF EDUCATION			6,613,584
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
State & Territorial & Technical Assistance Capacity Development:			
Minority Health State Partnership Grant		93.006	139,647
Strengthening Public Health Services at the Outreach Offices of the U.S. - Mexico Border Health Commission:			
New Mexico - Chihuahua Border		93.018	274,639
Public Health Emergency Preparedness:			
Public Health Emergency Response		93.069	152,921
Environmental Public Health and Emergency Response:			
Addressing Asthma		93.070	299,095
Healthy Homes & Lead Poison Prevention		93.070	172,944
Unregulated Drinking Water		93.070	1,582
			<u>473,621</u>
Emergency System for Advance Registration of Health Professionals:			
Emergency Services for Volunteer Registry		93.089	166,760
Affordable Care Act: Personal Responsibility Education Program			
Personal Responsibility Education Program		93.092	282,360

See Notes to Schedule of Expenditures and Federal Awards.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - continued:		
Maternal and Child Health Federal Consolidated Programs:		
State Systems Development Initiative	93.110	\$ 57,032
CISS-SECCS Planning	93.110	97,197
First-Time Motherhood	93.110	<u>117,278</u>
		271,507
Project Grants and Cooperative Agreements for Tuberculosis:		
Tuberculosis Elimination and Laboratory	93.116	458,742
Cooperative Agreements to State/Territories for the Coordination and Development of Primary Care Offices:		
Primary Care	93.130	141,476
Injury Prevention and Control Research and State and Community-Based Programs:		
Sexual Assault Rape Prevention	93.136	192,695
Public Health Injury Surveillance	93.136	137,991
Violent Death Reporting	93.136	<u>172,238</u>
		502,925
Family Planning Services:		
Family Planning	93.217	3,237,429
Grants for Dental Public Health Residency Training		
Oral Health Workforce Activities	93.236	137,150
State Rural Hospital Flexibility Services:		
Rural Hospital Flexibility Program	93.241	225,698
Substance Abuse and Mental Health Services:		
NM Project Launch	93.243	846,760
Hepatitis Grants:		
Viral Hepatitis Surveillance	93.270	50,033
Research Infrastructure Programs:		
Community Transformation Grant	93.351	765,000
The Patient Protection & Affordable Care Act		
Coordinated Chronic Disease	93.544	78,432

See Notes to Schedule of Expenditures and Federal Awards.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - Continued		
Universal Newborn Hearing Screening: Newborn Hearing Screening	93.251	\$ 190,849
Occupational Safety and Health Program: Occupational Health	93.262	108,120
Immunization Grant Cluster: Immunizations Program	93.268	2,891,678
ARRA - Immunizations Program	93.712	101,337
ARRA - Cooperative Agreement	93.712	75,495
ARRA - Emerging Infections/Vaccinations Program	93.712	<u>156,201</u>
		3,224,711
Centers for Disease Control and Prevention - Investigations and Technical Assistance:		
CDC Assessment Initiatives	93.283	102,244
Arthritis Program	93.283	419,003
Behavioral Risk Factor Survey	93.283	464,158
Chronic Disease Prevention	93.283	1,372,027
Early Hearing Detection & Intervention Tracking	93.283	129,670
Emerging Infections Program	93.283	1,408,438
Environmental Health Tracking	93.283	994,126
Epidemiology & Laboratory Capacity	93.283	840,232
Viral Hepatitis	93.283	67,733
National Cancer Prevention and Control	93.283	3,680,675
Public Health Preparedness & Response Bioterrorism	93.283	5,652,211
NM Colorectal Cancer Screening	93.283	607,730
Physical Activity and Nutrition	93.283	<u>480,162</u>
		16,218,410
ARRA - State Primary Care Offices: ARRA - Primary Care Grant	93.414	71,765
Recovery Act Comparative Effectiveness Research: ARRA - Race and Ethnicity Research	93.715	378,628
ARRA - Preventing Healthcare-Associated Infections: ARRA - Emerging Infections Program	93.717	125,577
ARRA - Epidemiology and Laboratory Capacity	93.717	<u>368,618</u>
		494,195
ARRA - Prevention and Wellness-State, Territories & Pacific Islands: ARRA - Healthy Kids Initiative	93.723	401,657
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	89,822
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Jemez Pueblo Prevention and Wellness	93.724	<u>10,000</u>
ARRA - Health Information Technology and Public Health ARRA - Immunization Information System Interoperability	93.729	663,610

See Notes to Schedule of Expenditures and Federal Awards.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - continued:		
Small Rural Hospital Improvement Grant Program: Small Rural Hospital Improvement Project	93.301	84,947
Refugee and Entrant Assistance Discretionary Grants: Office of Refugee Re-Settlement	93.576	52,642
Background Checks for Employees of Long Term Care Facilities and Providers: National Caregivers Criminal History Screening	93.506	192,443
Strengthening Public Health Infrastructure for Improved Health Outcomes Improved Health Outcomes	93.507	244,685
Centers for Disease Control and Prevention Affordable Care Act: Tobacco & Diabetes Supplemental	93.520	119,954
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity: Building and Strengthening Epi Lab Capacity	93.521	443,727
Building and Strengthening Epi Lab Capacity Supp	93.521	121,271
Patient Protection and Affordable Care Act	93.521	<u>307,643</u>
		872,641
State Survey and Certification of Health Care Providers: Title 18 Inspection of healthcare providers**	93.777	2,461,133
Clinical Laboratory Improvement Amendments**	93.777	<u>63,992</u>
		2,525,125
National Bioterrorism Hospital Preparedness Program: Bioterrorism Hospital Preparedness Program	93.889	2,726,513
Grants to States for Operation of Offices of Rural Health: Office of Rural Health	93.913	188,130
HIV Care Formula Grants: Ryan White Care Act	93.917	4,050,808
HIV Prevention .Activities - Health Department Based: HIV Prevention	93.940	2,238,971
Acquired Immune Deficiency: Deficiency Syndrome (AIDS) Surveillance: HIV / AIDS Surveillance	93.941	279,504
MCVPCV & Pertussis 2012	93.941	<u>129,845</u>
		409,349
Cooperative Agreements to Support State-Based Safe Motherhood: Sudden Unexpected Infant Death	93.946	12,316
Pregnancy Risk Assessment Monitoring System	93.946	<u>163,869</u>
		176,185
Preventive Health Services - Sexually Transmitted Diseases Control Grants: Sexually Transmitted Disease	93.977	801,408

See Notes to Schedule of Expenditures and Federal Awards.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - continued:		
Preventive Health and Health Services Block Grant: Preventive Health Services Block Grant	93.991	\$ 907,490
Maternal Child Health Services Block Grant to the States: Maternal Child Health Services	93.994	3,889,573
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>49,537,730</u>
TOTAL COST REIMBURSEMENT GRANTS		110,297,194
OTHER GRANTS:		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Joint Powers Agreements: Flow-through Federal Grants via Human Services Department** (see Schedule 4 to financial statements)	93.778	9,945,922
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>9,945,922</u>
TOTAL OTHER GRANTS		<u>9,945,922</u>
TOTAL FEDERAL EXPENDITURES		<u>120,243,116</u>
NON-CASH ASSISTANCE:		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CENTER FOR DISEASE CONTROL AND PREVENTION:		
Immunization Grants: Immunization Program Vaccine**	93.778	35,809,384
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CENTER FOR DISEASE CONTROL AND PREVENTION		<u>35,809,384</u>
TOTAL EXPENDITURES CASH/NON-CASH FEDERAL AWARDS		<u>\$ 156,052,500</u>
**CFDA 93.777 & 93.778 included as Medicaid cluster. Federal expenditures for cluster total		<u>\$ 48,280,432</u>

See Notes to Schedule of Expenditures and Federal Awards.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the New Mexico Department of Health, and is presented using the Modified Accrual Basis of Accounting, as defined by the Governmental Accounting Standards Board. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic, combining and individual fund financial statements.

Clusters:	Federal CFDA No.
Early Intervention Services Cluster (IDEA):	
Special Education - Grants for Infants and Families - infants and toddlers with disabilities	84.181
Special Education - Grants for Infants and Families - ARRA - infants and toddlers with disabilities	84.393
Immunization Grant Cluster:	
Immunization Grants Program	93.268
Immunization Grants - ARRA immunization program, emerging infections/vaccination program	93.712
Medicaid Cluster:	
State Survey and Certification of Health Care Providers	93.777
JPA - flow through Human Services Department	93.778
Immunization Program Vaccine	93.778
Foster Grandparent/Senior Companion Cluster:	
Foster Grandparent Program	94.011
Senior Companion Program	94.016

NOTE 2. LOANS OUTSTANDING

The Department does not have any outstanding loans with the federal government or does it make loans to others.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2012**

NOTE 3. NON-CASH ASSISTANCE

Amounts reported under Non-Cash Assistance do not represent cash expenditures but are based upon the value of drug vaccines provided to the State of New Mexico by the Federal Centers for Disease Control.

NOTE 4. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Department provided federal awards to local agencies of the WIC Food and Administration grant (CFDA 10.557) in the amount of \$1,117,104.

First Nations	\$ 158,952
First Choice	<u>958,152</u>
 Total	 <u>\$ 1,117,104</u>

NOTE 5. RECONCILIATION

Reconciliation of federal expenditures to federal revenue and assistance:

Per financial statements:

Federal revenue	\$ 109,292,475
In-kind assistance (Immunization)	35,809,384
Federal assistance in other financial statement categories	<u>10,950,641</u>
Per Schedule of Expenditures of Awards	<u>\$ 156,052,500</u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Brad McGrath, Interim Cabinet Secretary
and
Mr. Hector H. Balderas,
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund and the fiduciary fund of the State of New Mexico Department of Health (the Department), as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's nonmajor governmental and fiduciary funds and the program budgetary comparisons for the nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, and have issued our report thereon dated January 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Brad McGrath, Interim Cabinet Secretary
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2010-08 and 2011-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 2010-11 and 2012-01.

The Department's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of management, others within the Department, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
January 10, 2013

Report of Independent Auditors on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Brad McGrath, Interim Cabinet Secretary
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Compliance

We have audited the State of New Mexico Department of Health's (Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2012. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Brad McGrath, Interim Cabinet Secretary
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The purpose of this report is solely to 1) describe the scope of our testing of internal control over compliance and the results of that testing; and 2) express an opinion on compliance based on our audit. This report is an integral part of an audit performed in accordance with OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
January 10, 2013

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
84.181/84.393	IDEA Cluster - Special Education - Grants for Infants and Families
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.777/93.778	Medicaid Cluster
93.889	National Bioterrorism Hospital Preparedness Program

Dollar threshold used to distinguish between type A and type B programs: **\$3,000,000**

Auditee qualified as low-risk auditee? yes no

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS

**2010-08 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS
(Significant Deficiency)**

CONDITION

During our test work on accounts receivable and the allowance for doubtful accounts, we noticed a lack of timely analysis and review for the calculation of the allowance for doubtful accounts related to the various DOH facilities. The Department is also not reviewing the adequacy of the uncollectible percentages used in calculating the allowance for doubtful accounts at least on an annual basis.

CRITERIA

In accordance with GAAP, if the department determines that part of the receivable recognized may not actually be collected, then an allowance for doubtful accounts should be established for the amount of the receivable that is not expected to be collected. This amount should be based on the individual entity's experience with collecting receivables from a particular source, or on professional judgment if the entity has no prior experience in collecting receivables from a particular source. Any amount established as an allowance should be supported by documentation demonstrating how the allowance was developed.

EFFECT

As a result of the noted conditions, the allowance for doubtful accounts required an audit adjustment of \$2,499,927.

CAUSE

There is a lack of control and review over the application of the allowance for doubtful accounts at the various Department facilities.

RECOMMENDATION

We recommend the Department establishes a centralized control process to effectively review the application of allowance for doubtful accounts.

MANAGEMENT'S RESPONSE

The Department will institute follow up processes for those receivable payments that have had no responses in a sixty-day timeframe.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2011-01 Monthly Reconciliations and Financial Close and Reporting
(Significant Deficiency)**

CONDITION

During our audit testwork and review of the Department's internal control environment, we noted that reconciliations of the Department's activity and account balances are not being completed and reviewed timely. There were twenty five post-closing journal entries after final trial balance was provided to the auditor and the agency readiness letter was not ready for signature until October 25, 2012. Also, the schedules of accounts receivable, federal expenditures and fund balance that were provided to us required additional audit adjustments based on our testwork.

CRITERIA

The Manual of Model Accounting Practices requires that all state agencies "perform monthly reconciliations" and "Maintain accounts and information as necessary to show the sources of state revenues and the purpose for which expenditures are made and provide proper accounting control to protect state finances. Additionally, Section 6-5-2 NMSA 1978 states that "State agencies shall comply with the model accounting practices established by the Financial Control Division and the administrative head of each agency shall ensure that the model accounting practices are followed".

EFFECT

There is an increased risk of error or misstatement in the financial records. There was a delay in the start of the Department's audit.

CAUSE

The Department has not followed established policies and procedures over financial close and reporting. Additionally, the Department had limited staffing resulting in some control features going unperformed.

RECOMMENDATION

We recommend that balance sheet accounts be reconciled on a monthly basis and be reviewed and approved by a member of management. We also recommend that the Department take appropriate measures to ensure that resulting account adjustments are properly recorded in a timely manner.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2011-01 Monthly Reconciliations and Financial Close and Reporting
(Significant Deficiency) (Continued)**

MANAGEMENT RESPONSE

The department recognizes the fact that reconciliations should be prepared on a regular basis and has already begun to address this issue in fiscal year 2013. The bureaus within Administrative Services are now adequately staffed to perform the reconciliations. The supervisors responsible for the reconciliation process within the applicable bureaus of the Administrative Services area will be reviewing the reconciliations on a monthly basis to ensure timeliness and accuracy. Any required correcting entries will be done within fifteen working days of the review by the supervisors.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012**

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012**

D. OTHER MATTERS AS REQUIRED BY THE NEW MEXICO STATE AUDITOR

2010-11 UNTIMELY REVERSION TO STATE GENERAL FUND

Non-compliance

CONDITION

It was noted that the Department did not revert the entire amount due to the State General Fund for the year ended June 30, 2011 from the Department's general fund. The amount not reverted was \$344,551.

CRITERIA

Per Audit Rule 2.2.2.12 A(6) authorized by Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds as of June 30 shall revert by September 30 to the State General Fund. The division may adjust the reversion within forty-five days of the release of the audit report for that fiscal year. Failure to transfer funds in a timely manner in compliance with statute requires a finding.

CAUSE

Failure or lack of internal controls to ensure all funds subject to reversion are reverted in a timely manner as required by Statute.

EFFECT

The Department is not in compliance with State Auditor Rule and State Statute.

RECOMMENDATION

We recommend that management establish effective controls necessary to ensure that all reverting funds are reverting in a timely manner.

MANAGEMENT'S RESPONSE

The Department agrees that it was late making the reversion. In researching out the amounts to be reverted it was found that not all was to be reverted to the State General Fund. However, after researching out the amounts to be reverted we were not able to identify in a timely manner the laws for which the funds were received which delayed our meeting the reversion due dates as required by state law. We have identified whether the amounts were due to the State General Fund or to Other State Agencies. The amounts to be reverted will be reverted no later than January 31, 2013.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012**

**D. OTHER MATTERS AS REQUIRED BY THE NEW MEXICO STATE AUDITOR
(CONTINUED)**

**2012-01 PURCHASE ORDER VIOLATION
(Noncompliance)**

CONDITION

During our audit, the Department notified us of a violation of State Statute that occurred subsequent to year end by sending an unexecuted purchase order to a vendor in the amount of \$3,471.

CRITERIA

Before any vouchers or purchase orders are issued or contracts are entered into involving the expenditure of public funds by a state agency, the authority for the proposed expenditure shall be determined by the division "New Mexico Department of Finance and Administration (DFA)" and the state agency, per 6-5-3 NMSA 1978.

EFFECT

The Department is not in compliance with NMSA 6-5-3.

CAUSE

Employees were not following the Department's policies and procedures related to purchasing.

RECOMMENDATION

We recommend that the Department continue to monitor controls and better communicate and train employees on policies and procedures that will ensure the Department is in compliance with State Statute and DFA requirements.

MANAGEMENT RESPONSE

Department of Health (DOH) management was informed of this concern immediately upon review of the documentation received from the vendor when a call was received with questions related to the unit price contained on the document in question. DOH management contacted the employees responsible for the routine processing of purchase orders within the division and were informed they intentionally edited the document to send to the vendor to expedite shipping of the items in order to keep testing processes within the division on schedule. DOH management has taken appropriate administrative action against the employees. Also, management reviewed and made changes to the internal control structure and restructured the management responsibilities at the division related to fiscal document processing.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2012**

2010-07	Journal Entries	Resolved
2010-08	Accounts Receivable and Allowance for Doubtful Accounts	Revised/Repeated
2010-11	Untimely Reversion to State General Fund	Revised/Repeated
2011-01	Monthly Reconciliations	Revised/Repeated
2011-02	Cash Management	Resolved
2011-03	Subrecipient Monitoring	Resolved
2011-04	Time and Effort Certification	Resolved
2011-05	Timeliness of Cash Drawdowns	Resolved

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
EXIT CONFERENCE
Year Ended June 30, 2012**

An exit conference was held with the Department on December 17, 2012. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF HEALTH

Brad McGrath	Interim Cabinet Secretary
Jim Green	Deputy Secretary – Finance (CFO)
Rick Crespin	ASD Director
James Chadburn, CGFM, CPA	Financial Accounting Bureau Chief Chief Information Officer

MOSS ADAMS LLP

Larry Carmony	Partner
Jason Galloway	Senior Manager

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared with the assistance of Moss Adams LLP.